FINANCIAL TIMES
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UK poverty: the problem worsens, Page 18

World news

Malawi embassy in Maputo stormed

Thousands of angry Mozambicans stormed the Malawian embassy in Maputo, witnesses said. They said rampaging youths, protesting against Malawi's alleged support for Mozambican rebels, smashed windows and tore down flags and the portrait of Malawian leader Kamuzu Banda.

The youths later moved to the South African trade mission, shouting "Venceremos" "We will win," the witnesses said. Nkomati reaffirmed accord, Page 4

Karachi killing

Troops shot dead a 20-year-old woman who broke a curfew in the Pakistani city of Karachi and then reimposed a clampdown when thousands of people poured into the streets to protest at her death.

Korean protest

More than 3,000 South Korean students staged anti-Government demonstrations across the country as about 50 dissidents continued a hunger strike to protest at Washington's support of President Chung Doo Hwan.

Beirut casualties

At least 10 people were killed, including seven children, in clashes at Bouri al-Barajneh refugee camp on the southern edge of Beirut, Palestinian sources told Reuters.

Comecon criticism

Soviet Prime Minister, Nikolai Ryzhkov, sharply criticised Comecon, the Soviet-led economic organisation, at its summit conference of prime ministers in Bucharest.

Fraud charges

Gregorio Araneta III, son-in-law of Philippines' ex-President Ferdinand Marcos, was among 157 former officials and employees charged with fraud.

Ethiopian minister

Ethiopia appointed Lieutenant Colonel Berhanu Bayeh, one of the officers behind the 1974 revolution, as Foreign Minister to replace Goshu Wolde, who resigned on October 27, Addis Ababa radio said.

Thatcher denial

The British Prime Minister, Margaret Thatcher, denied in the House of Commons suggestions that the Government was trying to intimidate the BBC, and attempted to discredit her Government from the controversy. Page 14

Chunnel fears

Fears about the safety of passengers using the proposed Channel tunnel between England and France are expected to be raised in a minority report accompanying the main recommendations of a House of Commons select committee to announce its findings on the tunnel in London today. Page 13

Divorce 'favoured'

A majority of Irish people now favour the introduction of divorce, just four months after the country overwhelmingly rejected it in a referendum, according to an opinion poll.

Waldheim defended

The leader of Austria's Conservative People's Party, Alois Mock, strongly defended President Kurt Waldheim against what he described as an international smear campaign. Page 2

Dog psychology

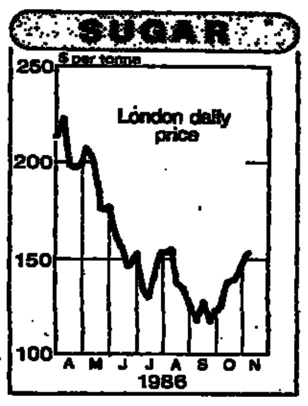
Postmen in the west Danish town of Viborg are to attend a course on dog psychology because about 65 have been bitten by dogs this year, 15 requiring medical attention, a post office spokesman said.

Business summary

Carbide in $2.5bn plan to cut debt

UNION CARBIDE, US chemicals group, plans a $2.5bn recapitalisation plan to reduce the debt burden inherited at the beginning of the year in order to defeat an unwelcome takeover bid. Page 21

RAW SUGAR prices rose in early trading on the London futures market before falling back under pressure from sluggish world demand and surplus stocks. In line with the recent upwards trend, the London daily price was quoted at $153 a tonne, the highest level since August 12. Page 36



WALL STREET: The Dow Jones industrial average closed down 1.82 at 1,892.44. Page 44

LONDON financial markets were dampened by sterling's sluggish performance and hesitation over the outcome of the US mid-term elections and the latest federal funding programme. The FT-SE 100 index shed 1.5 points to 1,637.7 and the FT Ordinary index edged up 0.2 to 1,294.3. Government bonds ended with falls of about ½ a point. Page 44

TOKYO: Trading was extremely slow and share prices closed lower for the third consecutive session because of uncertainty over the market's direction. The Nikkei average shed 49.89 to 16,786.90. Page 44

GOLD rose to $408.50 ($405.75) on the London bullion market. It also rose in Zurich to $408.05 from $406.25. In New York the December Comex settlement was $411.10. Page 36

DOLLAR closed in New York at DM 2.0590; SFr 1.7165; FFr 6.7185; and Y164.07. It fell in London to DM 2.0575 (DM 2.0635); Y163.90 (Y163.95); SFr 1.7150 (SFr 1.7175); FFr 6.7150 (FFr 6.7375). On Bank of England figures, the dollar's exchange rate index fell from 112.8 to 112.5. Page 37

STERLING closed in New York at $1.4165. It closed in London at $1.4150 ($1.4115). It also rose to Y232.0 (Y231.50); SFr 2.4275 (SFr 2.4250), but fell to FFr 9.5025 (FFr 9.51), and remained unchanged at DM 2.9125. The pound's exchange rate index fell 0.1 to 68.6. Page 37

BANK OF MONTREAL chairman William Mulholland said he agreed with bank analysts' predictions that Canada's banks will report record high loan losses for fiscal 1986 ended October 31 because of the oil price collapse

ICL, largest UK-owned computer company, is seeking partnerships with other companies to spread costs as a way of avoiding a merger with another big computer company. Page 13

CONRAIL, US state-owned railroad company to be privatised early next year, has reported lower third-quarter earnings at $107m compared with $121m a year ago. Page 21

HOECHST, West German chemicals group, said its proposed $2.85bn takeover of Celanese would be mostly financed on the US capital market. Wall Street reacted positively to the offer. Page 21

HONG KONG is to ban the import of South African iron and steel – which last year amounted to about $100m – in a move that is likely to frustrate efforts by Pretoria to build up its trade in Asia. Page 6

DEUTSCHE Bundesbank has opened an office in New York to help oversee the management of its $35bn foreign exchange reserves. Page 34

S Africa reshuffles Cabinet and boosts Economics Ministry

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S President P. W. Botha last night replaced five ministers – including Mr Louis le Grange, the tough Minister of Law and Order – promoted 10 deputy ministers and created a Ministry of Economy and Technology in a Government reshuffle to rejuvenate the South African administration.

The reshuffle was announced only three days before President Botha is due to meet more than 200 leading businessmen in Pretoria on Friday for talks seeking private sector support for the Government's policies. Discussions will also be held on the Government's privatisation plans.

However, Pretoria's economic competence has been questioned by powerful sectors of the business community. The creation of a new economics super-ministry appears to be part of a Government plan to streamline its economic portfolios.

Mr Danie Steyn, the present Minister of Mineral and Energy Affairs, will head the new Ministry of Economic Affairs and Technology. It will incorporate the Departments of Trade and Industry, and Mineral and Energy Affairs, and will be responsible for the two new key elements in Government economic policy – the deregulation of business, especially small and black businesses, and privatisation.

Observers last night did not consider that the reshuffle signalled any significant changes in Government strategy, including its handling of the state of emergency.

Mr le Grange, who has been suffering from cancer, will become Speaker of the House of Assembly. His replacement is his deputy, Mr Adriaan Vlok, whose technocratic approach to the problems of policing townships and enforcing the state of emergency has been rewarded by promotion.

The most prominent casualty is Mr Louis Nel who, as deputy Minister of Information, was responsible for overseeing restrictions on the media imposed with the state of emergency. He is replaced by 47-year-old Mr Stoffel van der Merwe, widely regarded as a "verligte" or liberal Nationalist and a man who presents a less archetypal "boer" image than his beefy predecessor.

Mr Nel's star waned in recent weeks over his department's spending of R4.6m ($978,000) on a controversial "peace and harmony" pop song, received sceptically in black townships.

Reorganisation of the economic ministries has allowed a reduction in the size of the cabinet from 20 to 18. Four older ministers have been retired. They are Mr Hendrik Schoeman (transport), Mr Lapa Munnik (communications and public works), Mr Sarel Hayward (agriculture and water) and Dr G. Morrison (health and welfare).

Mr Botha's own power base has strengthened appointment of Mr Alwyn Schlebusch, a former Vice President, as minister in the office of the state president in charge of the state radio and television network.

He is a staunch P. W. Botha supporter who played a key role at the time of the 1978 succession struggle which brought Mr Botha to power.

The position of Mr F. W. de Klerk as leading heir apparent also appears to have been strengthened by his appointment as leader of the house of assembly in addition to his existing ministerial position as Minister of National Education.

Other key ministers like General Magnus Malan, the Defence Minister, and Mr Pik Botha, the Foreign Minister, remain at their posts. Mr Botha gains another deputy minister, Mr Kobus Meiring, in addition to the existing deputy minister Mr Ron Miller. Mr Gerrit Viljoen, Minister of Education and Development, also gains another deputy. In all 10 backbenchers moved up as deputy ministers.

● South African funds have been transferred from US banks into dollar accounts with UK and continental banks.

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Accord with Mozambique reaffirmed, Page 4; Hong Kong to bar S. African steel, Page 6

Argentina calls for EEC, US support on Falklands

BY TIM DICKSON IN BRUSSELS AND TIM COONE IN BUENOS AIRES

ARGENTINA yesterday sought the help of Britain's European partners and the US in the fisheries dispute over the Falklands.

In a two-pronged diplomatic offensive Argentina's President Raul Alfonsin made a personal telephone appeal to President Ronald Reagan for "support and understanding" while Mr Jorge Sabato, Argentina's Secretary for Foreign Affairs, called on EEC member states and the international community to help find a solution.

Speaking in Brussels, Mr Sabato rejected Britain's argument that the announcement last week of a new 150-mile exclusion zone around the Falklands was motivated by the need to conserve fish stocks. He said the move posed a direct attack on Argentine sovereignty.

"It has aggravated the dispute already under way between Britain and Argentina", he said.

Mr Sabato emphasised that Argentina was seeking a peaceful negotiated settlement of the affair. However, when asked to speculate on developments if Britain remained intransigent, he said: "You can imagine what would happen."

Mr Sabato also put his country's case at individual meetings in Brussels with Mr Antonio Cardoso e Cunha, the EEC Commissioner for Fisheries, and Claude Cheysson, the Commissioner for North-South Affairs. Under Britain's 1973 Accession Treaty, responsibility for the management of fisheries round the Falkland Islands lies with the UK but the Commission becomes involved when negotiating access to these waters on behalf of other EEC member states.

Argentina's best chance of support lies with Spain, which could raise the issue and embarrass Britain at today's meeting in Brussels of EEC fisheries ministers. Mr Sabato said yesterday that Argentina had not made any official request to Madrid and there were no indications in Brussels last night that any such gesture was planned.

Spain is in a difficult diplomatic position since it has the biggest fleet in the Community and has a vested interest in applying for contested rights in the new Falklands zone.

British officials yesterday insisted that the interim zone had been imposed in response to what Britain saw as serious overfishing since 1983 and the refusal by Argentina to participate in multilateral negotiations on voluntary restraint. Mr Sabato countered by claiming that Argentina had taken important conservation initiatives of its own, that the new zone overlapped with several outlying Argentine islands and that Britain's action was contrary to various United Nations declarations.

According to Government sources, President Alfonsin had assured President Reagan that Argentina's diplomatic offensive "is the only offensive we will undertake." Mr Reagan apparently replied: "I am pleased to hear those words."

Argentina is to face its first critical test of diplomatic support in the Organisation of American States (OAS) at its annual meeting to be held next week in Guatemala.

Joint company plans to buy $2bn of Fokker F100 airliners

BY LYNTON MCLAIN IN LONDON

GPA, the Irish aircraft lease company, is joining with a UK finance subsidiary of Mitsubishi of Japan and the Fokker aircraft company of the Netherlands in a $2bn deal for Fokker F100 airliners powered by Rolls-Royce engines.

The joint company purchase, understood to involve orders and options for up to 100 airliners of the new Fokker, could be worth up to £500m to Rolls-Royce of the UK if engine spares are included over a 10-year period.

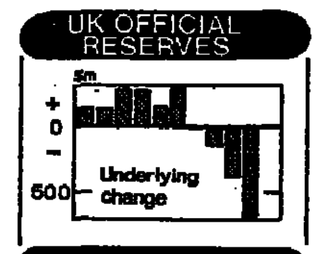
The deal is expected to be signed in Amsterdam today with the joint company comprising GPA, Spectrum Capital, a UK subsidiary of the Mitsubishi Trust and Banking Corporation, and Fokker.

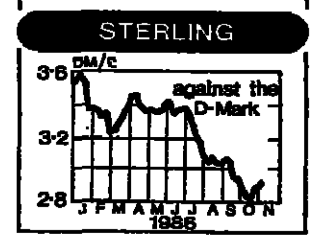
The order will make GPA one of the leading aircraft leasing companies. GPA's corporate ownership is approximately one-third European, one-third Japanese and a third North American, with Air Canada the biggest single shareholder with 26 per cent. Other big shareholders include the Mitsubishi corporation, the Credit Bank of Japan, the Prudential insurance company of the UK and General Electric of the US.

GPA has 120 employees and assets of $300m. The company made just over $25m in the year to the end of March. In June the company placed one of the biggest orders for civil airliners, worth $2.75bn, for 96 McDonnell Douglas and Boeing aircraft with options for a further 10. This doubled to 187 the company's portfolio of aircraft for lease.

The Fokker F100, powered by two Rolls-Royce Tay turbofan engines, is one of the new generation of advanced technology airliners being developed in Europe and the US. It is planned to make its first flight this year and is designed to carry between 100 and 110 passengers, about the same as the British Aerospace 146 four-engined airliner. The short to medium-range F100 was developed from the Fokker F28 twin engine airliner and was launched three years ago. First deliveries are expected next year.

The order for F100s is a further vindication of Rolls-Royce's decision to develop, with its own resources, the Tay turbofan from the civil version of the Spey engine that powered the Trident airliner.





UK foreign reserves fall sharply

By Philip Stephens in London

BRITAIN'S foreign currency reserves fell by an underlying $668m last month, the sharpest drop since December 1982, reflecting the Bank of England's efforts to prop up sterling on the foreign-exchange markets.

The latest fall followed a drop of $372m in September when the pound first came under pressure against other leading currencies. The decline over the two months represents just over a quarter of the $4bn the Government borrowed in September to boost the reserve.

It may also understate the actual level of intervention. Bank of England support for the pound was supplemented by intervention on its behalf by West Germany's Bundesbank, and it is not clear whether the swap arrangements involved have yet been unwound.

The official view yesterday, however, was that the intervention did not necessarily represent a permanent loss of reserves.

The Treasury pointed out that a fall of $1.1bn in the underlying level of reserves in the second half of 1985 was more than compensated for by an increase of $1.2bn in the first six months of this year. During most of the latter period sterling's relative strength allowed the Bank of England to buy foreign currency in the markets.

There were also hints that the Bank might have bought modest amounts of dollars in the last two days of October which have not yet shown up in the reserve figures.

It has emerged in Whitehall that there were differences between Mrs Margaret Thatcher, the Prime Minister, and Mr Nigel Lawson, the Chancellor of the Exchequer, on how to respond to sterling's sharp fall during September and early October.

Mr Lawson's view was that the Treasury should use the reserves as a first line of defence and then put up interest rates by one percentage point to compensate for the inflationary impact of the pound's depreciation.

Continued on Page 20

Money markets, Page 37

UK spells out its policies on arms pact

BY ROBERT MAUTHNER AND PATRICK BLUM IN VIENNA

BRITAIN yesterday told the Soviet Union that no Western European country could accept the abolition of all nuclear weapons within 10 years, as Moscow is believed to have proposed at last month's Reykjavik summit, as long as Soviet superiority in conventional and chemical weapons persisted.

The point was underlined by Sir Geoffrey Howe, the UK Foreign Secretary, in bilateral talks with Mr Eduard Shevardnadze, his Soviet opposite number on the sidelines of the Helsinki agreement review conference, which opened in Vienna yesterday.

Sir Geoffrey, whose views were echoed in a speech to the conference by Mr Jean-Bernard Raimond, the French Foreign Minister, expressed his regret to Mr Shevardnadze that, following the Reykjavik meeting, the Soviet Union was talking in terms of a nuclear arms control package deal.

Moscow has linked reductions of strategic missiles and intermediate range nuclear forces (INF) with an agreement to restrict US President Ronald Reagan's proposed space-based defensive system to laboratory research. The Western countries claim that this is a change of the Soviet Union's previously expressed readiness to reach a separate agreement on medium-range nuclear weapons.

At a press conference later, Sir Geoffrey said that he had told Mr Shevardnadze that it was an "illogical and retrograde step" to establish a linkage between an INF agreement and President Reagan's Strategic Defence Initiative (SDI).

In the first detailed exposition of Britain's position after the Reykjavik meeting, between the two superpowers, Sir Geoffrey said that the summit "shook the kaleidoscope of arms control" and that it was still not clear how the pieces would finally be reassembled.

He said Britain supported President Reagan's determination to secure deep cuts in the US and Soviet strategic arsenals, hopefully by 50 per cent, and could also accept an INF agreement based on the so-called "zero option" – the total elimination of all medium-range missiles in Europe – as put forward by the US at the Geneva talks and endorsed by Nato some years ago.

Sir Geoffrey added that Britain could support any arrangement entailing "equal numbers of warheads below present Soviet levels, down to zero on each side" as long as, among other things, satisfactory arrangements were made to cover short-range nuclear weapons and medium-range Soviet SS-20 missiles stationed in Asia.

Mr Shevardnadze was understood to have replied to Sir Geoffrey at their bilateral meeting that the Soviet Union would be prepared to negotiate on shorter range neclear weapons as soon as an INF agreement had been concluded.

Meanwhile, the emphasis which the Western and neutral countries intend to put on compliance by the Eastern bloc with the human rights provisions of the Helsinki agreement, was underlined by both Sir Geoffrey and Dr Franz Vranitzky, the Austrian Chancellor, in his welcoming address to the conference. The practical effects of long term co-operation between the Eastern and Western states "must palpably benefit every individual citizen of our countries, Dr Vranitzky said.

The basic rules of conduct laid down in the Helsinki agreement implied that security could not be defined and determined solely in military terms. "Lasting peace is no longer conceivable without the implementation of human rights and unhindered contact between individual men and women even across the frontiers dividing different political, economic and social systems," the Austrian Chancellor said.

Speaking in his capacity as current chairman of the European Community's Council of Ministers, Sir Geoffrey also said that "security cannot exist, where distrust and suspicion reign. He added that the "twelve" would be guided throughout the Vienna meeting by the desire to see all the principles of the Helsinki Final Act respected and fully implemented.

"As of now, too many commitments are honoured in the breach," Sir Geoffrey said. "Individuals who do not conform are brought ruthlessly to heel, religious believers are harassed and would-be emigrants are denied the fundamental right to leave the country in which they find themselves. We must check what has been done before devising ambitious plans for the future."

● Sir Geoffrey said he agreed with Mr Shevardnadze that a meeting of British and Soviet experts on co-operation to combat terrorism would take place at the end of the year, probably in London.

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Honecker invitation is problem for West

AN INVITATION to a birthday party from Mr Erich Honecker, the East German Communist leader, promises political headaches for the guardians of West Berlin's independent status, Reuter reports from West Berlin.

The invitation is to an official reception and ceremony in October next year marking the climax of lavish celebrations which East Berlin is preparing for 1987, the city's 750th anniversary.

But Mr Honecker's invitation to Mr Eberhard Diepgen, West Berlin's Mayor, set alarm bells ringing this month in government and among US, British and French allies responsible for the city's security.

At first sight, it was a simple gesture of goodwill between two halves of the city. But the invitation was, in the words of one Allied official, embossed with legal pitfalls.

Mr Diepgen's attendance at the ceremony could be seen as Western recognition of East Berlin as a part of communist East Germany. Refusal to recognise East Berlin as the capital of East Germany is essential to the Western case.

Maltese Government faces row on electoral boundary issue

BY GODFREY GRIMA IN MALTA

A MAJOR political row threatens to break over the head of Maltese Premier Dr Carmelo Mifsud Bonnici's Government as dissent against a series of electoral boundary changes, announced over the weekend, becomes increasingly widespread.

An agreement hammered out this year between Dr Mifsud Bonnici's ruling Labour Party and the opposition Nationalist Party headed by Dr Eddie Fenech Adami, was meant to make this a final binding attempt to restructure fairly Malta's 13 electoral districts before the island embarks on its wide-open general election next year.

The reforms were necessary under Malta's proportional representation electoral system to keep voting discrepancies between districts down to less than 5 per cent. They were expected to improve the chance of each political party of ending up with a parliamentary numerical strength that correctly reflected its support in the hustings.

In the event, reforms suggested by the island's nine-man electoral commission, a sort of electoral college charged by the constitution with the unbiased management of general elections, set off a major controversy.

Opposition leader Dr Eddie Fenech Adami, addressing a news conference on Monday, roundly denounced the changes as an overt manoeuvre designed to give the Government party unfair advantages over his party.

This, he said, was being done by unnecessarily shifting blocks of voters to districts where government support was relatively weak. The exercise, according to Dr Fenech Adami, could help the Labour Party retain power without having to secure a majority popular vote.

At Malta's last elections in 1981, the Nationalist Party, which polled 51 per cent of the popular vote, was forced to remain in the opposition by controversial boundary changes which instead rewarded former Premier Mr Dom Mintoff with a three-seat parliamentary majority.

Should the next poll produce a similar perverse result, Dr Fenech Adami threatens, the Labour Party will not be allowed to govern. He claims the majority of electoral commissioners who drew up the new boundaries were biased against his party and that they failed to safeguard the supremacy of majority rule as laid down by the constitution.

Equally disconcerting are divisions which obviously beset the electoral commission itself. The commission has now been publicly accused by three of its dissenting members with making only cosmetic boundary changes that are at any rate unconstitutional but that will benefit Labour Party at the elections.

For Premier Mifsud Bonnici an allegation of gerrymandering could prove immensely damaging. In the 21 months he has been in power he has devoted his energies to refurbishing his Government's image at home and abroad largely by abandoning the confrontational politics of his predecessor, Mr Dom Mintoff, who resigned in 1984.

Privately, he believes his party has revitalised much of its popular strength, sapped in the final years of Mr Mintoff's rule. Aware of this, the Nationalist Party is trying to spark off a political crisis to save face, he argues.

What threatens to bring the island face to face with a monumental problem is a decision by the Nationalist Party not to fight the forthcoming elections unless it is convinced the Government is prepared to run a fair and straight fight.

So far, Dr Fenech Adami has steered clear from making such a drastic commitment. The decision, in the final analysis, could be forced on the Nationalist Party by its restless supporters who want to be guaranteed that at next year's election the party netting the highest popular vote will be allowed to govern.

Financing obtained for UK theme park

By Charles Batchelor in London

WONDERWORLD, the company which plans to build a 1,000-acre theme park on the outskirts of Corby, in the English Midlands, has achieved a breakthrough in the financing of the project in the form of a £47m ($66.2m) preferential loan from the European Investment Bank.

Wonderworld has also brought in Bouygues, the French construction group, to help manage the project and to exploit the idea internationally.

Construction of the Wonderworld project, which is to be built on a derelict British Steel Corporation site, was originally due to start in 1984 but has been delayed. The complexity of the project, unfamiliarity with theme parks in the UK and delays in raising finance have been blamed.

The £47m European Investment Bank loan is the first part of the loan financing package to be put in place. Wonderworld also hopes to raise a further £9m of bank loans and obtain a £24m grant aid from the European Community. Corby District Council has applied for this grant because it is rehabilitating an old industrial site.

Red Cross attempts to limit damage of vote on S. Africa

BY WILLIAM DULLFORCE IN GENEVA

MR ALEXANDRE Hay, president of the International Committee of the Red Cross (ICRC), tried yesterday to limit the damage done to the humanitarian organisation by the vote on October 25 expelling the South African Government delegation from the International Red Cross conference.

There had been no indications that countries funding the ICRC had changed policies, Mr Hay said, but he had received many letters showing that people had difficulty in understanding the expulsion.

Admiral Elmo Zumwalt, the chief US delegate, had warned earlier that the "undemocratic elimination" of a nation qualified to participate in the conference would have an impact on the ability of some Red Cross societies to raise money.

The ICRC spent SFr 535m ($315m) last year on relief work an on protecting prisoners of war and political detainees. Its 550 delegates, all Swiss, operate worldwide with the assistance of nearly 2,300 local employees. About three quarters of its budget is supplied by governments.

Despite the setback inflicted to the ICRC's neutrality and universality by the vote – mainly by Third World and Communist countries – to expell the South African Government, the Red Cross conference, which ended at the weekend, had had some very positive results, Mr Hay insisted yesterday.

It had renewed the statutes governing the Red Cross movement and had reaffirmed governments' commitments to observe humanitarian rights.

An immediate, practical gain was the announcement by the Iranian Government that after a two-year prohibition it would allow the ICRC to resume visits to Iraqi prisoners of war.

Initially, the ICRC will try to negotiate the repatriation from both side of several hundreds of badly wounded prisoners, Mr Hay said.

Nevertheless, the ICRC has been badly shaken by the expulsion of the South African government delegation in contravention of the International Red Cross statutes.

Kenya, which put the motion, and the other African countries, forced through the vote as a protest against Pretoria's racial segregation.

But, as Mr Hay acknowledged yesterday, the essence of the ICRC's work is that it is able to act in a neutral and impartial manner in places of violent conflict

Opposition defends Waldheim

By Patrick Blum in Vienna

DR ALOIS MOCK, leader of Austria's opposition People's Party, yesterday strongly defended President Kurt Waldheim against what he described as an international smear campaign. Speaking to foreign journalists, Dr Mock said that the campaign had "unfortunately had its starting point in Austria" but that it had got out of hand

Dr Waldheim was elected President in June after an election campaign dominated by international controversy over his wartime past. He was alleged to have been implicated in Nazi atrocities in the Balkans, something which he has always denied.

The allegations damaged Austria's international standing, and after the election Dr Waldheim expressed the hope that the row which has soured relations with Israel would die down, but allegations have continued.

The President has been forced to adopt a low profile, leading to suggestions that he has become a lame duck president. Dr Mock dismissed the suggestions. "We have a President who takes care to fulfil the fullest extent of his presidential duties," he said, as had been demonstrated by the fact that on Monday he had met Mr Eduard Shevardnadze, the Soviet Foreign Minister in Vienna for the CSCE conference.

On Monday, Dr Mock launched a bitter attack against the Government and the Socialist Party during a special parliamentary debate on the budget for 1987. The Government's figures were wrong and misleading and would only result in a further aggravation of the budget deficit, he said. The Government expects a gross deficit of Sch 113.8bn (£5.5bn) next year and a net deficit of Sch 76.6bn. Dr Mock predicted that the gross deficit would reach a record Sch 130bn.

Danes seek human rights conference

DENMARK'S Foreign Minister, Mr Uffe Ellemann-Jensen, said yesterday that his country would propose holding a human rights conference in Copenhagen, AP reports from Copenhagen.

In a commentary published in the Social Democratic daily newspaper Aktuelt, Mr Ellemann-Jensen said that Denmark had discussed the human rights conference idea both with its Nordic, EEC and Nato partners as well as with a number of East bloc countries.

The purpose, he said, would be "to re-establish balance between disarmament, economic co-operation and human relations." The topics to be discussed would include both "respect for human rights and practical questions about reuniting families, family visits and emigration permits."

Comecon criticised by Soviet Premier

By Leslie Colitt in Berlin

THE SOVIET Prime Minister, Mr Nikolai Ryzhkov, has sharply criticised Comecon at its summit conference of prime ministers in Bucharest.

He said Comecon's operational methods were unable to "ensure intensification of the economy," the major goal of member countries. All its members were agreed, he said, that new "forms" were needed to improve their economic development and co-operation.

He called for "direct links" to be established between Comecon companies and for the founding of joint companies and organisations. This, he noted, would be Comecon's most important political and economic task.

However, he avoided mention of any of the reforms which East European officials said were essential if Comecon is to become an efficient economic group.

Mr Ryzhkov also criticised the quality of the goods which the Soviet Union received from its Comecon partners in return for oil and raw materials. He said the others received adequate supplies of fuel and raw materials, but were not paying for them with quality products, the Soviet news agency Tass reported.

"The export potential of every country should be expanded, first of all, by manufacturing the most up-to-date equipment," he said in a speech on the first day of the Comecon summit meeting.

Similar criticism has been voiced by Soviet leaders at previous Comecon summit meetings. But the main East German Communist newspaper, Neues Deutschland, yesterday dropped Mr Ryzhkov's critical remarks from its paraphrased account of his speech, indicating possible disagreement.

The Soviet Prime Minister said "external conditons" for Comecon's economic development continued to be "complicated," which, in Soviet usage, means negative. Western countries were barring credits to Comecon members and using embargoes. in addition, cyclical fluctuations in the West were hurting the foreign trade of Comecon countries.

Mr Ryzhkov said the establishment of official relations between Comecon and its individual members and the European Community could help expand economic and political co-operation in Europe.

Patrick Cockburn adds from Moscow: Government leaders from Comecon yesterday signed an agreement on establishing joint ventures and direct economic links between enterprises, according to Tass.

The Soviet Union has set up a series of joint ventures in high technology with its East European allies since last October in most of which the Soviet Union has put up finance and other Comecon countries the technical expertise.

The heads of government of the USSR, Bulgaria, Hungary and Czechoslovakia also signed bilateral accords making it easier to establish direct links between enterprises in the different countries. The Soviet Union recently published a decree ending the monopoly of the Ministry of Foreign Trade over Soviet commerce with foreign countries.

Finnish links

The Communist parties of Finland and the Soviet Union may be heading for improved relations after a lengthy freeze caused by an ideological rift in the Finnish party, according to its leader, Reuter reports from Helsinki. Mr Arvo Aalto was quoted in the daily Helsingin Sanomat as saying that he expected high-level contacts between the parties soon.

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West German unemployment and prices fall

BY PETER BRUCE IN BONN

WEST GERMAN unemployment and consumer prices continued their determined march downwards last month, the Government said yesterday, adding yet another well-timed hammer blow to the opposition's hopes of upsetting Chancellor Helmut Kohl's administration in next January's general election.

Total unemployment fell by nearly 20,000, from 8.2 per cent to 8.1 per cent (2.02m people) as good autumn weather continued into October, giving an overall fall of 90,000 in the jobless total in September and October.

The Federal Statistics Office in Wiesbaden reported meanwhile that prices in West Germany fell by 0.3 per cent overall from September to October and settled at nearly a full percentage point below what they were in October last year.

Although foodstuffs have cheapened considerably, the statistics show that much of Bonn's apparent success with its anti-inflation policies is due to low energy prices, linked to low world oil prices.

The costs of running a car here are said to be more than 5 per cent down on a year ago, with fuel 31 per cent cheaper. Light heating oil, which is widely used in West Germany, was 59 per cent cheaper last month than in October 1985.

The president of the Federal Labour Bureau, Mr Heinrich Franke, said yesterday that he expected average total unemployment to be around 2.3m people this year and 2.1m next year. He conceded though that short-time working in October had risen sharply, particularly in the coal mining, steel and shipbuilding industries and said that in other sectors, businesses might be having problems maintaining export volumes because of the high value of the D-mark.


Figures give Mr Kohl's government a boost

Forecast of French trade surplus revised down

BY DAVID HOUSEGO IN PARIS

FRANCE WILL have only a small trade surplus this year, according to the official forecasting institute Insee which has further revised downwards its estimates of the improvement in the trade account during 1986.

In its latest review of the economy published yesterday it foresees an end of year surplus of FFr 5bn (£525m) compared with a July forecast of FFr 17bn —a downturn that reflects a surge in manufactured imports that was heaviest in the first half of the year.

For the final quarter, Insee strikes a more "optimistic" note, forecasting a slight pick-up in activity, with exports and investment both strengthening and unemployment flattening out. It confirms its July estimate of a growth in real gross domestic product for the year of 2.3 per cent.

The new Insee report comes amid considerable concern within the administration that the FFr 70bn windfall gain to the trade account this year has largely been lost through a sharp decline in France's surplus in trade in manufactured goods. From more than FFr 100bn in 1984, the surplus is likely to be under FFr 40bn this year.

Insee traces this deterioration to the pattern already familiar from the reflation of 1982—of an increase in internal demand being drained away through a much sharper rise in imports. The report says that while internal demand increased by 3.9 per cent between mid-1985 and mid-1986 imports rose by 6.6 per cent.

The institute foresees the growth in household consumption slowing down in the second half of the year from an already high level. But it warns that if consumption should remain buoyant, the trade account would worsen further.

After a first half in which export growth was flat, Insee sees exports in volume terms expanding by 2 per cent in each of the third and fourth quarters. The export growth is stemming from France's trade with industrialised countries and particularly from the pick-up in the West German economy in the second half.

But it sees this improvement to the trade account being partly offset by an increase in oil prices.

On a more favourable note as well, it sees fixed capital investment growing by 3 per cent this year compared with 2 per cent in 1985.

Iata urges governments to bear cost of security

By Michael Donne in Montreux

A PLEA for governments to bear the rising costs of providing security for the world air transport industry, rather than passing them directly to the airlines was made by British Caledonian Airways at the annual meeting of the International Air Transport Association (Iata) in Montreaux yesterday.

Representatives of nearly 100 airlines passed a resolution calling on Governments to draw up and implement an international treaty to bring airports as well as aircraft in flight into the current pattern of international agreements designed to check the growth of aerial terrorism.

It was clear that many airlines are deeply concerned at having to bear the rising costs of providing protection against terrorism. Although no detailed figures are available "it is almost impossible to calculate," one senior airline spokesman declared. "It is estimated to amount to several billion dollars a year."

While this money is spent by government agencies such as airport authorities, much of it is spent directly by the airlines themselves and much of the government funding is also charged to airlines through higher airport fees. Eventually it is the passengers who pay through higher ticket prices.

Speaking in support of the resolution, Mr David Coltman, managing director of British Caledonian, said he was concerned that governments were increasingly imposing this burden on the passengers.

"Acts of terrorism are aimed at the state and not the airlines and the state should recognise this as its own cost from public funds.

"Security is a national defence issue and, as is the case in meeting the cost of providing defence in the form of the armed forces and the police, it should be met by the whole population through normal taxation.

"Terrorist acts are usually directed at places readily available to the general public and have been mainly directed at airports, airlines and restaurants. While governments have readily sought to impose the security costs at airports directly on passengers, it would seem logical but ridiculous for them to impose a security charge on the bill of every person who visits a restaurant, cafe or bistro. It may be ridiculous but the comparison is valid.

"To impose the security tax on the passenger makes the airlines tax-collectors and imposes unjustified administration costs upon them.

"Although international civil aviation organisation principles include the recovery of the costs of security measures at airports from users, BCal considers that Iata should press governments to accept that this cost should be met from public funds."

Single European Act raises Irish hackles

BY HUGH CARNEGY IN DUBLIN

WORRIES ABOUT preserving Ireland's neutrality, protecting its fragile economy and the opposition's anxiety to oust the equally fragile Fine Gael-Labour coalition has turned the debate over ratifying the European Community's Single European Act into a major issue in Dublin.

Yesterday, Dr Garret FitzGerald, the Prime Minister, announced that a bill to endorse the act, which seeks to advance political co-operation and economic unity within the Community, would come before Parliament in three weeks' time, not next week as originally expected. It is intended that all member states should have completed ratification by the end of the year.

In recent weeks, Mr Peter Barry, the Foreign Minister, has been forced to issue repeated defences of the Act in the face of hostility from groups as diverse as the main opposition party, Fianna Fail, the Marxist Workers Party, the Irish Campaign for Nuclear Disarmament and some elements within the minority coalition partner, Labour.

Failure by Ireland to ratify would probably leave it in the embarrassing position of being the only member state not to do so in time. "The whole question of our continued membership of the Community would be put in doubt," Mr Barry said last week.

This scenario looks unlikely as the coalition, notwithstanding a paper thin majority and possible Labour dissenters, should be able to muster enough non-government support to get the bill through.

However, some doubts remain, mainly due to the attitude of Mr Charles Haughey's Fianna Fail which is anxious to capitalise on any issue which might topple the Government. Mr Haughey has, for example, said there is a need to consider whether the act requires constitutional changes — the Government insists it does not — raising the possibility of a legal objection which might hold up ratification.

Significantly, Fianna Fail, which was in government when Ireland entered the Community in 1973 and whose policy remains pro-European, has not said it will vote against the act. Its leaders realise that to be cast in an anti-Community role would almost certainly be an election loser in Ireland, which has a net annual gain of I£900m (£950m) from Brussels.

Irish farmers, many of them Fianna Fail voters, receive almost as much in agricultural price support and export subsidies.

Fianna Fail has nevertheless persisted with its objection to the Single Act, due to have full effect by 1992. Its chief argument over the proposals for increased political co-operation, including on security matters, springs from Ireland's strong tradition of neutrality.

It is the only non-Nato member in the Community and many Irish people fear that this aspect of the act will inevitably undermine neutrality, a key tenet of Irish republicanism.

The Government insists that any such fears are groundless as the Single Act specifically excludes military matters from security issues.

Mr Haughey's economic objections centre on the intention to complete the common market, with free movement of goods, free provision of financial services, harmonising of indirect taxes and the abandonment of exchange controls. "Our fear is that those costs would be borne disproportionately by countries on the periphery of the Community such as Ireland," he said.

He estimated that the commitment on indirect taxation, although it is one measure which could still be blocked by veto, could cost Ireland I£1bn a year—or about one sixth of government revenue — and would mean Ireland would have to abandon its 10 per cent corporation tax concession which helps attract foreign investment.

The Government's reply is that sufficient safeguards are contained in the act and that Ireland, as a trading nation, would benefit from a removal of trade barriers.

Rome seeks views on N-power

BY JOHN WYLES IN ROME

THE ITALIAN Government has launched an unusual information sweep of universities, environmentalists and other interested parties as a prelude to the keenly-awaited national conference on the future of the country's nuclear energy programme.

Mr Valerio Zanone, the Industry Minister, has confirmed that the likely date for the conference has slipped from early December to early January. In the meantime, he has asked for a questionnaire sent out this week to a wide variety of organisations, including the political parties and Confindustria, to be returned to him by November 25.

Clearly wary of a deluge of paper, Mr Zanone has ruled that all replies must be limited to 15 pages and about 4,000 words.

The questionnaire itself is basically a quiz for which the Government has already got most of the answers in its files. However, by addressing broad questions of supply, demand, environment and safety in a factual way, it denies respondents the opportunity for polemical diatribes.

The first of three sections asks to be told of likely global energy requirements in the year 2000 and of possible sources of supply. It seeks predictions of Italy's energy requirements in the same year, suggestions as to how the country's dependence on foreign supplies might be reduced and asks what promising new sources of energy are still at the experimentation stage.

The second section deals with environmental concerns and asks for judgements on the environmental effects of the various forms of production and uses of energy. The only mention of nuclear energy refers, inevitably, to Chernobyl and asks what lessons can be learned at national and international levels.

The final section asks for advice on how best to administer an energy policy in Italy which respects local rights and the need to keep people informed of risks and safety procedures.

The idea of staging the conference was adopted in the spring by the five-party coalition Government as a means of postponing a divisive post-Chernobyl debate. The country has only three nuclear plants with a fourth under construction and three more firmly planned and despite the Government's efforts controversy has erupted around the entire programme.

US supplies of missiles to Afghans upset Moscow

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET Defence Ministry has strongly attacked the US supply of Stinger anti-aircraft missiles to anti-government Afghan guerrillas saying that they will endanger civilian aircraft and show the US wants a military solution in Afghanistan.

The statement by an unnamed defence spokesman to the Soviet news agency Novosti is apparently a warning by Moscow that it takes the supply of the hand-held heat-seeking missile very seriously.

He said that last year 50 people died "when an American missile hit an Ariana Afghan airlines aircraft not far from Kandahar. Three hundred passengers on a DC-10, damaged by a missile, when landing at Kabul airport, only narrowly escaped death." He warned that almost all weapons supplied by the US to Afghan guerrillas ended up in the black market in Pakistan where they could be bought by anybody and could be used against civilian airliners outside Afghanistan.

The spokesman said that for the first time the US was supplying up-to-date weapons to Afghan guerrillas and this marked a further stage in US involvement in Afghanistan. He said that the move had to be seen against the Soviet withdrawal of six regiments from its 115,000-strong military force in Afghanistan last month.

The statement to Novosti carried by the state News Agency Tass adds that the supply of the new weapons came "at a time when a certain progress has been achieved at the Afghan-Pakistani talks."

Carla Rapoport and Ian Rodger report on the increasing difficulties facing the Tokyo Government

Why the Japanese authorities decided they had to act

UNTIL a couple of weeks ago the Japanese authorities seemed nervously content with the state of the world's second largest economy.

True, the country's export-oriented manufacturing industries were taking a beating because of the sharp rise of the yen in the past year. But major domestic factors such as housing, consumer spending and plant investment were all holding up well.

Indeed, the frenzy in the property and stock markets, along with a buoyant 9 per cent money supply growth rate, made some officials wonder if they should not be imposing more restraint, rather than contemplating a further stimulus.

But suddenly last week, attitudes changed dramatically. The Bank of Japan dropped its four-month resistance to a discount rate cut, and the Government rushed to seek an extraordinary pact with the US to prevent any further rise in the value of the yen.

The result was the joint statement issued by Mr James Baker, the US Treasury Secretary, and Mr Kiichi Miyazawa, the Japanese Finance Minister, last Saturday morning pledging "to co-operate on exchange market issues."

The specific news that galvanised the authorities into action was probably the latest "diffusion index" of leading indicators. This closely watched index had held steady at 50, the border line between recession and growth, in June and July, but when the August figures appeared last Tuesday, it had slumped to 41.

The Government's Economic Planning Agency (EPA), which had repeated only a few days earlier in its monthly submission to the Cabinet its view that the economy was growing sluggishly, quickly revised its position, saying that the economy was likely to remain weak for some time.

But the diffusion index figure was only a confirmation of other troubling signs that had been appearing in recent weeks and causing private sector economists to become more and more pessimistic.

Probably the most important of these indicators, from the political point of view, was a rash of redundancy announcements from major manufacturers. Everyone has known for months that manufacturing industry was having a hard time coping with the rise in the yen's appreciation—profits had fallen rapidly as companies tried to maintain sales by trimming profit margins.

But that had seemed to be doing the trick, and the continuing upward trend of trade surpluses suggested that Japanese industry was hanging on.

'The fact that groups like Isuzu, Mitsubishi, Hitachi and Nippon Steel have had to resort to sacking workers indicates that the position has become serious. This was to be expected in the wake of the yen's steep rise. But the Japanese have been shaken by it'

Then, last month, big companies began to announce redundancies and layoffs. Redundancies are almost unheard of in Japan, especially in large companies where lifetime employment has been the pillar of industrial relations policy.

The fact that groups like Isuzu, Mitsubishi, Hitachi and Nippon Steel, have had to resort to sacking workers indicates that the situation has become much more serious.

"Our industry is really suffering," said Mr Yoh Kurosawa, deputy president of the Industrial Bank of Japan (IBJ) on Friday.

Foreign observers could be forgiven for pointing out that this was only to be expected in the wake of the yen's steep rise. But the Japanese have nevertheless been shaken by it probably because it has taken so long to happen.

The delay, it seems, was due to the working out of forward foreign exchange contracts covering export sales. Bankers say many exporters had made foreign exchange contracts at about Y170 to Y180 to the dollar early in the year.

As the dollar did not fall to this level until spring, this enabled them to buy dollars for yen at better than actual market rates, effectively postponing much of the impact of the stronger yen on the economy.

Since July, the dollar has been in the Y150 to Y160 range. The backlog of covered export contracts appears to be finished, and few, if any, companies can export profitably at the current rate. "So they must raise their export prices and lose volume," says Mr Sumsumu Taketomi, senior economist at the IBJ. They also have no profit margins left for supporting redundant employees.

Mr Ken Iwaki, Sony's manager of corporate planning, said recently: "So far, companies have been holding people and absorbing the loss, but this cannot go on much longer. People in Japan have not realised yet, but sooner or later they will realise how serious this is."

Government economists have known for some time that, as in other advanced economies, employment in manufacturing would decline over the next few years, to be compensated by rises in jobs in service industries.

The problem now is that the slump in manufacturing has happened so suddenly that it will be difficult to create enough jobs in non-manufacturing sectors quickly enough. The official unemployment rate is now at a postwar record 2.9 per cent and will almost certainly go over 3 per cent before the end of the year. Because of the large number of in-house unemployed, the real rate is already much higher.

The Government's latest attempt at stimulating the economy, a Y3,600bn (about 1 per cent of GNP) package of public and private spending introduced last month, has been widely dismissed as inadequate. Private sector economists now forecast the economy will grow at only about 1 per cent in the second half of the current fiscal year, resulting in growth of about 2 per cent for the year as a whole, compared with an official target of 4 per cent.

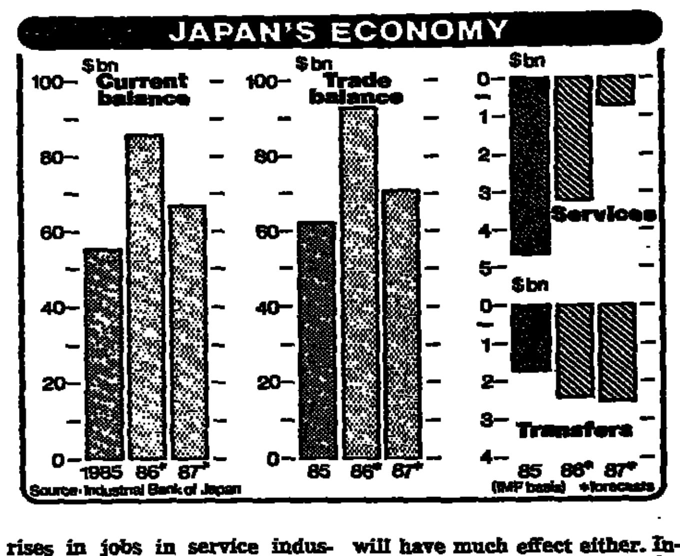
Although a stable exchange rate and a lower discount rate have now been added to the stimuli, analysts doubt that they will have much effect either. Industry leaders say that the break-even exchange rate for most exports is about Y170 to the dollar.

Last weekend's agreement between Mr Baker and Mr Miyazawa seems to have sanctioned the current Y150 to Y160 range, so there could be a lot more misery in industry in the next few months.

As for the lower discount rate, Mr Nobumitsu Kagami, managing director of Nomura Investment Management, says that it could have some stimulative effect on the service, consumer and housing sectors. "Whether it will be sufficient to pull us out of this recessionary trauma, we don't know," he says.

Mr Kagami also points out that the tax reform package now being studied by the Government could help if personal income tax cuts were introduced early next year, but the indirect tax delayed until the end of the year.

But it would be rash to count on the hard-pressed Japanese Finance Ministry to forsake any source of revenue, at present.



Yen-dollar rate 'being revised in right direction'

BY IAN RODGER IN TOKYO

MR SATOSHI SUMITA, governor of the Bank of Japan, said yesterday he thought the yen-dollar rate was being "revised in a right direction" but that the yen rate remained unstable.

Speaking on the first day of Tokyo foreign exchange trading since the weekend announcement of the US-Japan pact on exchange rates and a cut in the Japanese discount rate to 3 per cent, Mr Sumita told local business leaders in Osaka that he thought exchange rate stability was indispensable for the sustained expansion of Japanese domestic demand.

The dollar closed yesterday Y2.15 higher at Y163.60 after climbing to a four-month high of Y164.35 on buying by securities firms and trading companies.

Dealers said it then dropped back on profit-taking and large forward sales by exporters. Spot turnover amounted to $5.16bn against Friday's $3.9bn. Monday was a national holiday.

Mr Sumita, who had opposed the discount rate cut because he feared it would further fuel Japan's rapid monetary growth, said, however, that he did not expect the money supply growth rate to increase, and rejected the notion that the cut would create fresh inflationary pressure.

Mr Sumita said he had been informed of the negotiations that led to the agreement reached by Mr Kiichi Miyazawa, Japan's finance minister, and Mr James Baker, US secretary of the treasury. The accord stemmed from discussions parallel to a series of international monetary meetings.

Mr Miyazawa, speaking yesterday at a parliamentary committee session on the budget, said the yen's present exchange rates were consistent with Japan's economic situation.

It would be advisable to let market forces determine yen-dollar rates from now on. But he declined to be specific about whether or not the US would be willing to intervene in currency markets jointly with Japan to stabilise the rate.

He pointed to the joint statement which noted the two countries' "willingness to co-operate on exchange market issues."

But he also recalled that major industrialised nations had agreed at the Tokyo summit last May to intervene in currency markets to stem erratic fluctuations. The difficulty was deciding what constituted erratic fluctuations.

Speaking at the same committee meeting, Mr Yasushi Mieno, deputy governor of the Bank of Japan, said the central bank had decided to change its policy on the discount rate because of the deep slump in export-orientated industries.

Where Ascot and Grand National meet on Derby Day

By Chris Sherwell in Sydney

YESTERDAY was a day of high stakes, high fashion and high excitement — a day when, as always on the first Tuesday of November, Australia stopped everything for just over three minutes in order to rivet its attention on a group of horses tearing round a race-track.

In a country which has more racecourses and probably more gamblers per capita than most, the Melbourne Cup occupies a unique place.

A flat race run on handicap over 3,200 metres, it is a combination of Ascot and the Grand National run on Derby Day. It is the Australian equivalent of the US's Kentucky Derby or France's Prix l'Arc de Triomphe.

Just as significant, the Melbourne Cup—or, more accurately, the Foster's Melbourne Cup, since it is sponsored by entrepreneur John Elliott's ubiquitous beer empire—oozes with lucre. Yesterday's prize money was above A$1m (£4.54m) with the winner receiving close to A$700,000.

According to most estimates, more than A$100m was bet on the outcome. Some bookies laid out tens of thousands of dollars, each backing their own hunches.

With the Stock Exchange (and plenty more) closed, about 90,000 people attended what has become the year's social event. It took place in 30° C heat and, as tradition demands, many of the ladies showed off their finest dresses and hats.

Countless millions saw the race live on television. In its blanket coverage ahead of the event, the local press and broadcast media endlessly detailed for them the form and the prospects along with some expert forecasts.

They were told that Mr Bob Hawke, an avid racegoer and also the Prime Minister, was backing Samasaan because of a recent string of good performances.

Mr Paul Keating, austerity Treasurer in the Government, was not betting. Sir Joh Bjelke - Petersen, maverick Premier of Queensland and fresh from his state election victory, was backing a nine-year-old former winner, Kiwi, because he (the Premier) was born in New Zealand.

From the early hours, crowds poured into their local betting shops around the country. Those who did not take the day off organised local office sweeps and arranged special lunch gatherings. Most halted work ahead of the 2.40 pm start.

When it came, the favourite remained Mr Lomondy, a New Zealand horse which won the Caulfield Cup over 2,400 metres in Melbourne last month—a fact which, to judge by history, ought to have ruled its chances out altogether.

It duly finished nowhere after failing to settle down. Horses owned by another well-known entrepreneur, Mr Robert Holmes à Court, and by one of Australia's best-known racing figures, Mr Robert Sangster, also failed to place. The same happened to Samasaan.

In fact, the glory of this breathtaking race went to the first American-bred horse to win the cup, At-Talaq, which ran fourth in the Derby three years ago and was sired by Roberto, a former Derby winner.

At-Talaq is owned by Sheikh Hamdan Bin-Rasheed Al-Maktoum, one of the famous Maktoum brothers, who watched the race live on television from the Gulf.

The horse started out as second favourite at 10-1 and, having stayed with the leaders, showed a magnificent burst of speed 400 metres from home to reach the front and hold on. It was followed home by Rising Fear (50-1) and Sea Legend (20-1).

Kiwi, a sentimental favourite, finished with his well-known surge to come in fourth.

The outcome has now led to speculation that Arab interests may be attracted to Australia, either to race their horses in local classics or to take advantage of its bloodstock and thoroughbred industries.

Botha reaffirms Nkomati Accord

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P. W. Botha yesterday congratulated the newly elected Mozambican President Mr Joaquim Chissano, on his appointment and re-confirmed South Africa's commitment to the Nkomati Accord.

The accord, signed by Mr Botha and the late President Samora Machel in March 1984 committed Mozambique to the expulsion of African National Congress units in return for a South African commitment to cease clandestine support for the rebel Mozambican National Resistance (MNR) and improve economic and trade relations.

In his message to the new President, Mr Botha said: "I wish to reaffirm my belief, expressed at the signing of the Nkomati Accord, that states with differing socio-economic and political systems can live together in peace and harmony and work together in the pursuit of common interests, provided they adhere to the principles enunciated in the accord."

Mr Chissano, 47, the former Foreign Minister and veteran relatively pragmatic figure of the liberation struggle against Portuguese colonial rule, is considered to be a

South Africa said yesterday it had dropped subversion charges against Rev Allan Boesak, one of the Government's most outspoken opponents whose freedom of speech had been restricted by tough bail restrictions for more than a year, agencies report. Mr Boesak said the withdrawal of charges proved the state had simply wanted to harass him.

Reuter adds from Maputo: Thousands of angry Mozambican youths protesting against Malawi's alleged support for Mozambican rebels yesterday stormed and ransacked the Malawian embassy in Maputo, eyewitnesses said.

The crowd smashed windows and tore down flags and a portrait of Malawian President Kamuzu Banda.

Iran sets out conditions for helping free hostages

BY OUR MIDDLE EAST STAFF

IRAN set out its conditions yesterday for helping to free Western hostages held in Lebanon. Hojatoeslam Ali Akbar Hashemi Rafsanjani, Speaker of the Iranian Parliament, said at a Tehran rally that Islamic groups in Lebanon sometimes heeded the advice of Iran.

"If demands of the oppressed Moslems of Lebanon are met, and if you prove that you are not hostile to us, or at least do not act on your hostility, as a humanitarian gesture we will let our friends in Lebanon know our views," he said.

The Iranian statement is the most explicit acknowledgement to date of the role played by Iran in the hostage crisis. The release on Sunday of Mr David Jacobsen, an American citizen who had been held for 17 months, prompted speculation about Syrian and Iranian involvement.

The US said Syrian help in securing Mr Jacobsen's release had been minimal. A Lebanese publication yesterday quoted Iranian sources as saying that Mr Robert McFarlane, the former US National Security Adviser, had travelled to Tehran last month.

He was alleged to have discussed an Iranian curb on terrorist groups in return for spare parts and other military equipment. The report was denied in Washington.

Egypt eyes Sudan with concern

BY TONY WALKER IN CAIRO

EGYPT IS watching with concern development in Sudan, whose capital, Khartoum, has been subjected to student riots over the past several days.

Egypt's Middle East News Agency, in a dispatch from Khartoum, reported that on Monday, about 1,000 students clashed with police who fired tear gas to disperse them.

The students were demonstrating against rising prices and food shortages in a pattern of protest that has become familiar in recent weeks.

Egyptian officials are also worried that a decision by Mr Sadiq al-Mahdi, Sudan's Prime Minister, to remain aloof from Egypt, may become "institutionalised."

These officials fear that Sudan's rigorous policy of non-alignment under its new leader may undermine Egypt's special relationship with its neighbour which has been one of the cornerstones of its foreign policy.

Relations between Cairo and Khartoum have not been the same since the overthrow last year in a "popular coup" of Mr Jaafar Nimeiri. Mr Nimeiri, who was close to the Egyptian leadership, was given asylum in Egypt.

This has also been a source of irritation between the two countries. Sudan has been demanding Mr Nimeiri's extradition to stand trial for alleged excesses committed during his administration. Egypt has refused.

Mr al-Mahdi has made a number of overseas visits without stopping off in Egypt, since becoming prime minister six months ago.

Among countries he has visited are the Soviet Union and the US. He is seeking support for Sudan's crisis-ridden economy wherever he can find it.

However, Mr al-Mahdi's first months in office have not yielded the results his supporters were hoping for. There appears no end in sight to a debilitating insurrection in the south and no improvement in the economy.

Egyptian concern about developments in Sudan stems in part from the fact that the two countries share the waters of the Nile, Egypt's lifeblood.

Egypt and Sudan had collaborated on a scheme to increase the Nile's flow, but this had to be abondoned because of the insurrection in the south.

Egyptian officials say they understand Mr al-Mahdi's motives for wanting to steer Sudan onto a more independent course. Sudan's Prime Minister, has been anxious to end the years of tension with Libya which prevailed under his predecessor.

But officials in Cairo worry that this policy may prove too inflexible, threatening to sour relations with Egypt.

AMERICAN NEWS

Nasa may use Ariane for launches

BY PETER MARSH IN LONDON

THE US may use Europe's Ariane rockets for the launch of some of its scientific satellites, Dr James Fletcher, administrator of the US National Aeronautics and Space Administration (Nasa), said yesterday.

Dr Fletcher said Nasa was examining the use of Ariane, together with US-made expendable rockets such as Delta and Atlas-Centaur, as launch vehicles for scientific missions which have been delayed by the suspension of flights by the US space shuttle fleet.

Since Challenger, one of the four shuttles, blew up, the three remaining vehicles have been grounded until 1988 while the design is altered.

Yesterday Dr Fletcher spoke to journalists and government officials in western Europe via a satellite link-up from Washington. He said space science projects in the US had been delayed by up to six years by the shuttle accident.

When flights restart, about 40 per cent of the missions will be reserved for military satellites and experiments concerning the Strategic Defence Initiative. This has led to fears that civilian space projects may suffer by being denied use of the shuttle.

Dr Fletcher said the accident in January caused many problems, but would have some positive effects. He said Nasa was using the lull in shuttle flights to tighten its management structure and to look ahead at future space missions. The shuttle would be a more reliable device than in the past, when flights restarted.

Dr Fletcher, who took over as administrator in May, previously ran the agency between 1971 and 1977. He said Nasa planned a long programme of tests before resuming flights in 1988.

He also confirmed that the US and the Soviet Union had reopened talks on collaboration in space science and technology. Previous co-operative agreements had been allowed to lapse because of clashes over issues such as the invasion of Afghanistan.

According to the Nasa administrator, the two countries have not set a schedule for a new agreement on space. They are discussing joint ventures in several scientific areas, including interchange of data collected from satellites to help understand weather patterns.

See Men and Matters

The shuttle: out of action until 1988

Mexico to sell 34% of shares in nationalised banks

BY WILLIAM ORME IN MEXICO CITY

THE MEXICAN Government is to fulfil a four-year pledge to sell minority shares in state banks to private investors.

The public auction of 34 per cent of the stock in 19 Government-owned commercial banks will begin in January, Mr Manuel Zubiria, assistant general manager of Banamex, the second largest of the banks has disclosed.

The shares will be sold gradually to avoid disrupting Mexico's small stock market.

The Finance Ministry said the stock sale was authorised under banking regulations which became law in January 1985. Mexico's private banks were expropriated by Presidential decree of September 1, 1982 in the last and most dramatic political act of the then president, Jose Lopez Portillo. When President Miguel de la Madrid assumed office three months later he resisted pressure to reverse the expropriation but promised to sell shares in the state bank to private investors.

Business leaders reacted to the announcement by reiterating demand for the banking systems' complete re-privatisation, while the leader of Mexico's Government union movement said they were completely opposed to the sale of any state bank. Despite the union protest, however, some financial analysts anticipate only minimal investor interest in the shares.

Commercial banks have suffered financially during four years of state management and national economic crisis. The 34 per cent stock offering will not allow private investors to reassert control of the troubled institutions, and individual investors will be prohibited from acquiring more than one per cent interest in any bank.

Much more attractive to private business was the de la Madrid administration's sale of brokerage houses, insurance companies, hotels and other companies owned fully or partially by the bank when they were taken over.

If the Government adheres to its original sales plan, first preference in the stock auction will be given to the banks' former owners, whose expropriated shareholdings were compensated with interest-bearing "indemnisation bonds." While the bonds can be used to buy bank stock, many have already been spent on the purchase of brokerages and other divested bank businesses.

Plea to Reagan on water bill

BY LIONEL BARBER IN WASHINGTON

US ENVIRONMENTAL groups are mounting a last-minute campaign to persuade President Reagan to sign an $18bn clean water bill approved by Congress last month.

President Reagan must sign the bill before tomorrow's deadline. If he delays, the effect will be to veto the bill.

The legislation would fund new sewage treatment plants and call for tighter controls on toxic pollution of rivers and lakes.

A White House spokesman said yesterday the President's advisers were expected to urge him not to sign the bill. They argue that it is too expensive and that the states, rather than the Federal Government, should shoulder more of the financial burden.

President Reagan has signed another major environmental bill—the $9bn hazardous waste clean-up law.

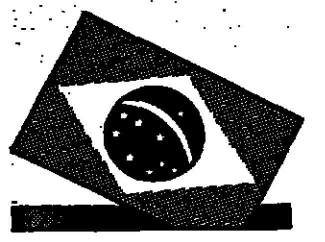
The clean water bill has strong support among Congressmen, state and local governments, and environmental groups. More than 70 senators, including a number of Republicans running for re-election, had pressed the President to sign the legislation which was passed overwhelmingly by the House and Senate.

Mr Ralph Nader, the consumer activist, sharply criticised Mr Reagan for his lack of enthusiasm for the bill. He said it showed that the President was reverting to hard-core ideology even at the expense of Republican candidates.

Mr Reagan has until this week avoided the clean water issue by waiting to announce his decision until after the elections yesterday.

If the bill dies, it could take Congress at least another two years to put together another comprehensive clean water bill.

Political message from the media



BRAZILIAN ELECTION

IVO DAWNAY in Rio de Janeiro describes the dominant, pro-Government role played by television in Brazil's election campaign

BRITAIN'S BBC is not the only broadcasting corporation that suffers accusations of political bias. TV Globo of Brazil—the fourth largest earning channel in the world after the three US networks—is frequently the butt of attacks, largely from the left.

With national elections now just under two weeks away, the role of Globo is again a major talking point. "There are only three major powers in Brazil," goes the familiar saying, "the armed forces, the church and TV Globo."

The creation in 1965 of the Marinho family newspaper dynasty, Globo is a private company unhampered by the noble sentiments of the BBC's charter, and undoubtedly a more controversial animal. To Brazilians, its octogenarian leader, Mr Roberto Marinho is a Rupert Murdoch or even Citizen Kane-like figure, who has gained near-monopoly control of the country's electronic media.

Globo is not actually a monopoly. Other television stations are scattered across the country, proliferating in the big urban centres such as Sao Paulo and Rio de Janeiro. But the Marinho channel is infinitely the slickest, wittiest, most technically inventive and professional.

Its tentacles cover the whole country, supplying regional news and the nightly Jornal Nacional news programme, which aside from Government radio and the Portuguese language itself, is the only cultural glue linking 139m Brazilians in a country larger and more diverse than the US mainland.

The clues to Globo's politics lie in the editorials of the eponymous Marinho newspaper which spawned it. During the Second World War, the paper successfully urged the neutral but Axis-leaning Government of the dictator Getulio Vargas into the allied camp.

Since, however, it has shifted to the right, offering unqualified support to the 1964 military coup which replaced the chaotic and Socialist-inclined President Jango Goulart with sturdy centralism and heavy-handed nationalism.

When the democratic movement gathered a demonstration of some 150,000 in the centre of Sao Paulo on January 25 1984, Globo explained the event as an anniversary celebration of the foundation of the city, coincidentally on the same day.

But when a rival channel, Manchete, began to give prominent news coverage to the democratic tide, Globo decided it should follow suit, a decision which many claimed signed the military's death warrant.

Opponents allege that news coverage is still carefully guided. They claim that directives from on high have ruled that unrest in Chile or by the Brazilian land reform campaign, does not warrant detailed coverage.

No firm evidence of interference is ever forthcoming, but even a relative stranger to Brazil could hardly miss the hearty jingoism that pervades its programming.

Today, Globo is closely identified with the Government of President Jose Sarney and his economic adjustment programme, the Cruzado plan. "How's the plan going?" asked an Italian character, somewhat improbably, of a visiting Brazilian in a recent soap opera episode.

"Its got some problems, but its going to work," came the reply.

It is too simplistic, however, for the disgruntled opposition to point accusing fingers just at Globo. The daily hour of electoral propaganda on television, allocated on the basis of past party performance also naturally favours the establishment.

In Rio, Mr Moreira Franco's skilfully woven coalitions give him and his Democratic Alliance more than half the nightly airtime for a "news" broadcast, designed, incidentally, by a Globo production company. This recently ended with the warning: "Watch out, lies coming up." It was followed by the less impressive effort of the main opposition.

The extraordinary recovery of Mr Orestes Quercia, principal Alliance Party candidate in Sao Paulo from bottom to top of the polls is ascribed by many of the observers to the power of the election hour.

Either way, it is hard to see how Mr Moreira Franco and other leading Government candidates can lose, given the weight of media in their favour. In the words of the current Globo jingle: "All is for the best, in the best of all Brazilian worlds."

WORLD TRADE NEWS

Hong Kong to bar S African steel

BY DAVID DODWELL IN HONG KONG

HONG KONG will ban imports of South African iron and steel, last year worth about US$ 100m, in a move that is likely to frustrate Pretoria's efforts to build up its trade in Asia.

The ban, to be announced next Wednesday, will come as a blow to South Africa because the British territory is an important conduit for the country's covert steel sales to China. It will also provide a most unwelcome signal to Pretoria from what is probably the most important entrepot in Asia.

The move may even provoke debate in Hong Kong, where many business figures feel strongly that the Government should not interfere with the no-questions-asked principles that guide the territory's international trade.

Hong Kong's Executive Council, the British territory's inner cabinet, decided at its confidential weekly meeting yesterday to legislate on the ban. Mr Piers Jacobs, the territory's Financial Secretary, will officially announce the move when the Legislative Council meets next week. It will come into effect on November 14.


Mr Piers Jacobs

The ban comes just six weeks after a visit to the territory by Mr Pik Botha, South Africa's Foreign Minister, as part of a tour of the Asian region aimed at boosting trade in the Pacific region. Mr Botha said while in Hong Kong: "The time has come for the development of our trade with the Far East."

South Africa's direct trade with Hong Kong—excluding gold—amounted last year to $293m, and had risen by 40 per cent during the first six months of the year.

About one third of this was steel—approximately 300,000 tonnes. Out of the total of 850,000 tonnes of steel imported by Hong Kong last year, about 400,000 went on to mainland China, and it is certain that a substantial proportion of this originated in South Africa—even though documents usually claimed origin in Mozambique, or other member countries of the South African customs area.

China claims to have no trade links with South Africa, but has been willing to turn a blind eye to steel imports "laundered" through Hong Kong because of the substantial discounts being offered by South African exporters.

Hong Kong's other main import from South Africa is coal, which is used in both of the territory's electric power companies. Both companies have made moves in recent months to reduce their dependence on South African coal, in both cases entering barter arrangements with Chinese suppliers.

The Government chose not to ban coal imports because both utilities have long-term contracts with South African suppliers, and would suffer substantial penalties if they were to break these contracts.

Hong Kong's imports of South African gold have slumped this year, in part because of a ban in July on the import of Krugerrands, but mainly because of mainland Chinese efforts to boost gold exports.

The Government will be advising people in Hong Kong not to invest in South Africa, nor to visit the country. Given the close commercial links that exist for many Hong Kong companies—not least Jardine Matheson and the businesses of Lord Kadoorie—firmer moves on investment and tourism have been ruled out.

Paul Betts interviews US supercomputer chief in Paris

Cray takes an international view

CRAY RESEARCH, builder of some of the world's most powerful computers, has for the past two months been run from flashly Paris office overlooking the Arc de Triomphe, not from its Minneapolis headquarters.

Mr John Rollwagen, Cray's chairman, came here not just for the cooking or to brush up his French. His temporary self-posting reflects the changing nature of Cray's business and the growing geographical spread of its sales.

"Competition is increasing in this business and the market itself is expanding far beyond our earlier expectations," says Mr Rollwagen.

"A few years ago we thought the total market would support 12 new machines a year. This year we are delivering 36 new machines as well as another 10 or 11 used ones. And 17 of these new machines are being delivered outside the US," he explains.

The increasing number of foreign shipments of Cray computers also reflects a significant evolution in the attitudes of the US authorities in granting export licences in the sensitive field of supercomputers.

Mr Rollwagen acknowledged that the company had problems in receiving clearance from Washington to sell Cray computers to France. But these difficulties have since largely disappeared both for sales to France and for other Western countries.

Eight Cray machines have already been installed in France and five more are being delivered. The latest to arrive, next Sunday, is the first Cray-2 computer for France. The machine, which costs nearly $20m and has the capacity to carry out 1.2bn calculations per second, is being delivered at a scientific research centre run by the Ecole Polytechnique.

Apart from leading Western European countries, Australia, Japan and Canada as well as Saudi Arabia and Abu Dhabi have bought Crays.

The company is also involved in negotiations with India, Brazil, South Korea, Taiwan, Israel and China. But while the administrative processing difficulties over export licences have eased for most Western countries, exports to developing countries continue to pose problems for the US authorities.

Moreover, Cray faces growing competition, especially from Japanese groups like Fujitsu, Hitachi and NEC.

The issue of sales to developing countries is further complicated by not only the negotiations between Washington and, for example, India over the sale of a strategically sensitive Cray machine, but also by parallel negotiations between Washington and Tokyo over the general export sales terms and restrictions for super-computer sales.

Indeed, the US is clearly concerned at the Japanese undercutting this market by offering more flexible export licence conditions.

Cray claims to hold about 70 per cent of the world market for supercomputers with nearly 200 systems installed or on order since the company was founded nearly 15 years ago. About 250 supercomputers have been installed worldwide.

Group sales have been growing rapidly and are expected to total about $600m this year against $380m in 1985.

For the first nine months of this year, Cray's sales totalled $458.5m compared with sales of $295.4m in the same period last year. Profits for the first nine months grew from $63.6m to $101.5m.

The supercomputer market, including Cray and its competitors, is estimated at 60 to 70 machines a year, or the equivalent of about $500m a year. The industry claims that the market could grow to about 200 machines a year or $2bn a year by the 1990s.

Mr Rollwagen, who took over as chairman from Mr Seymour Cray in 1981 when the founder of the supercomputer company decided to devote his entire time to research and designing even more powerful computing machines (the next will be the Cray-3), says his time in Paris has proved to be rewarding.

"I've never felt insecure or out of touch with the business here," he remarks as he prepares to leave later this month his flat on the Place des Vosges and his office overlooking the Etoile.

Mr John Rollwagen's Paris sojourn appears to have unsettled Wall Street securities analysts who have long been fans of the fast-growing Cray.

"I think our stock price has not been doing too well of late because securities analysts have been shaken by my decision to spend a few months in Paris. It makes no sense to the mand seems to have scared them," Mr Rollwagen remarked.

But securities analysts can rest assured. Mr Rollwagen is planning to end his little experiment on November 16.

US 'concern' over Japan chip accord

By Louise Kehoe in San Francisco

THE FUTURE of the US-Japanese semiconductor trade agreement now appears to rest on the outcome of meetings scheduled to take place next week in Tokyo between US trade officials and their Japanese counterparts at Japan's Ministry of International Trade and Industry (Miti).

The US is seeking immediate action by the Japanese to halt alleged violations of the agreement by Japanese chip makers who, it says, continue to dump memory chips in third-country markets and in Japan at below-cost prices.

The issue was raised last week at vice-ministerial level consultations in Washington. "We conveyed our sense of concern," said a US trade official. The Japanese have yet, however, to respond.

US semiconductor industry leaders have set a deadline of November 15, by which time they say the third-country dumping problems must be solved.

"The credibility of the trade agreement is at stake," said a spokesman for the Semiconductor Industry Association (SIA), a US industry trade group that was instrumental in the formulating of the trade pact. "The situation is very critical, I believe that the Japanese now understand that," he added.

The US chip makers are demanding that Miti should "report on what actions it has already taken to solve the problem," at next week's trade meetings in Tokyo. The US industry will not be satisfied by Japanese promises of future actions, he stressed. "It is clear that Miti does have the power to enforce the agreement, if it wants to."

Although it seems unlikely that the US Government would be willing to suspend the two-month-old agreement entirely, "such a recommendation is not precluded," said the SIA.

More likely, if progress has not been seen to be made on the third-country dumping issue, the US industry might call for a reinstatement of two big anti-dumping suits that were suspended under the terms of the trade pact.

Paradoxically, if such an action were taken the result would be still higher US prices for Japanese-made memory chips and an exacerbation of the price differential between the US and other countries.

Hitachi, Fiatallis joint venture

BY JOHN WYLES IN ROME

FIATALLIS, the Fiat group's construction machinery subsidiary, is expected to announce a manufacturing joint venture with Hitachi of Japan later this month.

The agreement, expected around November 19, follows negotiations which have been followed with some concern by European companies operating in the sector such as Poclain in France and J. C. Bamford in the UK.

Komatsu, the main Japanese producer of hydraulic excavators is due to start manufacturing in the UK next year. Japanese interest in moving into local manufacturing has been spurred by anti-dumping duties which were imposed on their excavators by the EEC in 1984.

Details of the Fiatallis-Hitachi negotiations are still uncertain but they are thought likely to centre upon the production in Turin of a line of hydraulic excavators based upon a pooling of the two companies' technologies.

Most observers see Hitachi as making the important contribution since its range is modern and well-designed whereas Fiatallis's is ageing. The Italian company held about 50 per cent of its domestic market in 1984 but sold only 2 per cent of the 11,600 hydraulic excavators purchased in the rest of Europe.

A tie up with Hitachi would be Fiat's joint venture with a Japanese company in any major sector. Fiatallis itself is the product of a joint venture with Allis-Chalmers of the US, which went wrong.

Fiat finally acquired 100 per cent ownership last year after six years of dispute with Allis-Chalmers over the running and then the dissolution of the partnership.

Although Fiatallis has turned in operating profits over each of the last two years of around $40m, the group is still believed to be unhappy with its overall performance.

Clearly an agreement with Hitachi would aim at boosting the company and perhaps also laying the ground for a partnership across a broader range of products.

Fiat to import Brazilian cars

BY JOHN GRIFFITHS

FIAT AUTO is to start importing to Europe saloon versions of the Uno small hatchback from Fiat Automoveis, its Brazilian subsidiary, starting next year.

Annual shipments are expected to be 60-80,000 units. The model is to be called the Duna, according to Mr Vittorio Ghidella, managing director.

The Duna will be sold mainly in Italy, but will also be marketed in other European markets, said Mr Ghidella in an interview to be published by the Economist Intelligence Unit* later this month.

Fiat is currently using 140,000 Brazilian-built diesel engines a year in European models, and importing 70-80,000 147 models from Brazil.

Mr Ghidella said it had become necessary to step up exports from the Brazilian company to maintain its viability.

When the Brazilian operation had been established 15 years ago it had been expected to move quickly to an output of 1-2m cars a year. Instead, there had been a slump and output had fallen to 400-500,000, before recovering slightly to 650,000.

The Brazilian Government had supported the operations and exports had become "a priority."

He added that while Fiat was discussing with Chrysler the exchange of further components—Chrysler buys Fiat components and other engine components—it was "too early to say" whether future collaboration could include Fiat distributing Chrysler vehicles in Europe.

Mr Ghidella also ruled out any re-entry by Fiat into the US market, from which it withdrew in the early 1980s.

*European Motor Business, November 1986. Economist Intelligence Unit. 40 Duke Street, London W1A 1DW.

Export profit fall leads Toyota to seek home sales

BY CARLA RAPOPORT IN TOKYO

TOYOTA, JAPAN's largest car company, is rapidly increasing its share of the domestic market to help offset the fall in profits on exports.

The company's share of the domestic market in October exceeded 50 per cent for the first time in its history. Last year, according to industry figures released yesterday, Toyota's share of the domestic market was about 45 per cent.

Company officials said the increase in sales was largely the result of increased demand for bigger cars.

Industry analysts, however, say that Toyota is increasing its domestic activities because of the shrinking margins on exports due to the yen's strong appreciation in the last year.

"Toyota is putting the pressure on their competitors in Japan because their profits are better at home than overseas," said Mr Ben Moyer, an analyst for Merrill Lynch in Tokyo.

Toyota's car sales increased by 21 per cent in the second quarter of this year and 15 per cent in the third quarter. The company has the largest sales network of all the main Japanese car makers, with 3,843 sales outlets and 103,400 salesmen nationwide.

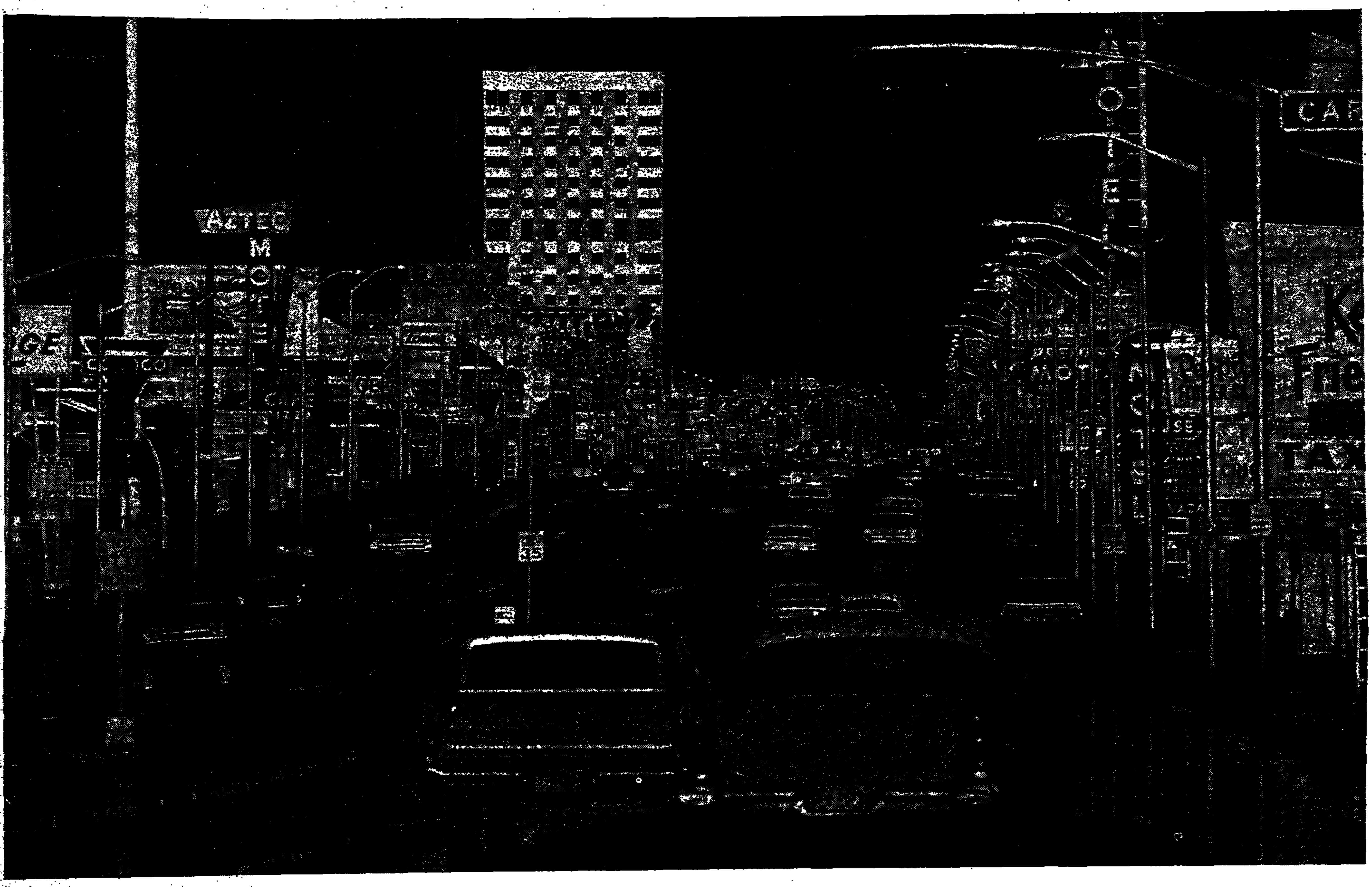
Komatsu wins Soviet order

KOMATSU, the leading Japanese construction equipment maker, has won a Y5bn ($30m) order for large sized bulldozers from the Soviet Union, Ian Rodger writes from Tokyo.

The bulldozers are to be used to lay oil and gas pipelines in Siberia. Komatsu said shipments would begin at the end of the year.

The Soviet Union had become an important export market for Komatsu in the early 1980s when Caterpillar was prevented by US government embargoes from competing there. The return of Caterpillar to the Soviet market last year, however, followed by shortages of foreign exchange made things much tougher.

How fast can you grow and still like it when you get there?



It may be heresy to say it, but thoughtful bankers have grown disenchanted with pure growth.

Coming from an institution that ranks number six among 14,000 U.S. banks–a bank whose assets grew by over 9% last year–that may sound like a contradiction. But the fact is, assets just aren't what they used to be.

When banks made money mainly by borrowing at regulated rates and lending for a little more–the bigger you were the more you earned. But changing regulations, new competitors for funds and clients who now have more direct access to the capital markets have changed all that.

Now banks that grow too fast don't always like what they grow into. In fact, too hasty growth can lead to even more sudden shrinkage.

Hence the emphasis on problem solving, financial acumen, the *flow* of capital instead of simply holding loans as assets–and the reason banks like Chemical are no longer banking as usual.

These days loan distributions, swaps, new strategies in foreign exchange and many other innovative ways of handling capital are growing strengths at Chemical. In 1985 we *doubled* our investment banking business. That's the kind of growth we approve of.

At Chemical, we think a bank that *manages* its growth will like what it grows into.

CHEMICALBANK

The bottom line is excellence.

Why Hornby is on a new products track

Alice Rawsthorn reports on the once-troubled UK toy-maker's plans

IN THE 1960s brand names like Dinky, Hornby, Meccano and Sindy towered over the British toy industry. One by one they all fell victim to the 1970s recession in which a series of toy manufacturers, or their parent companies, sank into receivership.

Of the toy giants of the 1960s, only one has retained its independence—Hornby, the manufacturer of model trains. It has survived and prospered to the point where it is planning to go public on the Unlisted Securities Market this month.

Its survival, though, was once very much in question. When the present management team took over in 1982 the company was on the brink of closure. How it was revived provides an example of crisis management. For it was brought back to life through a combination of conventional, but sometimes drastic cost cutting, and less conventional measures as extreme as salvaging envelopes for re-use and drafting employees' families in at weekends to do the work of the redundant packaging department.

The company was founded in the 1920s by the same family firm which manufactured Meccano, the toy construction kits. It remained independent until 1964 when it was taken over by Lines Brothers, then the biggest toy maker in Britain. Hornby hauled itself through Lines' collapse in 1971 only to watch its next parent company, Dunbee Combex-Marx, fall into receivership in 1981. Hornby's management team, led by the managing director, Karl Mueller, who had headed the company through the 1970s, began to search for backing for a management buy-out.

By today's standards the £5.5m Hornby buy-out seems tiny. But in the early 1980s management buy-outs were in their infancy and the Hornby deal was the largest of its day. Similarly institutional investors were dubious about committing themselves to as troubled an industry as toy manufacturing. It took Hornby more than a year to assemble a buy-out package led by Citicorp, the US investment bank, and Electra, the UK venture capital concern.

Mueller and his team had sold Hornby to the City as a profitable concern with two well established brand names: Hornby trains and Scalextric cars. But in the year after the buy-out the traditional toy market in which Hornby operated was shattered by the emergence of a new concept—the electronic game. In 1982, Hornby's turnover halved.

Little more than a year after completing the buy-out, Hornby called in the receivers. The original buy-out backers sought to save the day by assembling a £10m rescue package. Jack Strowger — the former managing director of the electronics concern, Thorn, who had joined Hornby in the previous year as non-executive chairman "thinking it would be a hobby in my retirement" — became chairman and chief executive.

A few months later Keith Ness, the marketing and corporate development director, who had been involved with Hornby since the Lines years of the 1960s, succeeded Mueller as managing director.

Supportive

"There were two clear priorities," recalls Ness. "The first was to stay in business and that meant cutting costs. The second was to broaden our product range. At that stage Hornby derived all its turnover from two brands — Hornby trains and Scalextric. We desperately needed to diversify."

Hornby also faced the task of restoring its relations with toy retailers. Given that the toy trade had become almost inured to supply problems during the recession years of the late 1970s, retailers were more supportive than might have been expected. But Hornby recognised that it had a problem in that it was regarded as a manufacturer of high-quality, traditional toys, and that this could lock it into a certain market segment as far as the public image of the company was concerned.

Cost cutting came first. After the original buy-out Mueller's team had begun to reduce the workforce at the factory in Margate, Kent, which stood at 1,300 at the end of the DCM era. The new team continued that process. Within 18 months the workforce had been reduced to just 320 people.

The aim was to cut running costs by half, to around £4.5m, during the same period. Furniture and equipment was sold. Peak rate morning telephone calls were banned. Secretaries were instructed to use second-hand envelopes. The entire packing staff was made redundant. Instead employees' families came into the factory at weekends to pack the finished toys.

The employees' families agreed to this for the same reason that Hornby's three trade unions had agreed to such stringent staff cuts. "After all," recalls Ness, "none of us had any alternative. It was work harder, cut costs or watch the company close down."

Yet the management was careful not to allow cost cutting to subsume all its effort and energy.

"We set a strict rule that there would be no cost-cutting meetings until after 6.30 pm when the day's work was completed. So we would work during the day and discuss cuts at night. Of course this meant that many of us would eventually arrive home in the early hours of the morning," says Ness.

During the day product diversification was one of the most important issues. Developing new product ideas proved to be relatively simple, though translating them into toys on shop shelves was much more difficult.

Hornby overcame this problem by diversifying slowly. It began by moving into a new area — pre-school toys — but with a familiar product, the pre-school toy train.

From pre-school trains Hornby introduced another young children's toy—Flower Fingers, a plastic flower-arranging kit. Here it came up against a new problem, the need to advertise new products.

The US toy manufacturers had not only unleashed a flow of innovative electronic toys onto the UK market, they had also introduced expensive US marketing techniques to the UK toy industry. Hornby simply lacked the financial resources to advertise Flower Fingers adequately. The product failed.

The next new product was rather more successful. In 1983 Hornby had acquired the rights to Cicely Mary Barker's fin de siecle children's books, the Flower Fairies. The following year it produced a collection of Flower Fairy dolls, complete with accessories such as their Fairyland Bedchamber and Petal Pool.

Keith Ness: Flower Fairies proved more successful than Flower Fingers

Flower Fairies received US-style marketing support and became one of the best-selling toys of 1984 and 1985. But "trendy" toys have short lives —of just three years, with sales peaking in their second year— and the company needed new products.

Hornby decided to retain a US consultant to scout about for suitable products for it to manufacture under licence in the UK. The first licensed product was the Pound Puppy—a canine version of the Cabbage Patch Doll—which was licensed from Irwin Toys in Canada.

After the Pound Puppy, Hornby developed a puppy toy of its own in Puppy Care, a grooming kit for toy puppies.

Puppy Care introduced Hornby to a new area—export sales. "Before the buy-out our export trade was negligible," says Ness. "We sold a few model trains to ex-pats in the Commonwealth, but little more. Now we have a house rule that any product developed in-house must be marketable overseas."

The licence for Puppy Care has been sold all over Europe, the Far East and even the US.

The two original brands—Hornby and Scalextric—now provide just 60 per cent of sales. The company plans to reduce this to 40 per cent by the end of the 1980s by building up the contribution from new products.

The management structure has changed too. Hitherto Hornby had worked within a traditionally hierarchical structure, but the company is now keen to operate in a more democratic manner. When the operations director left shortly after the rescue, for example, the four managers—responsible for the works, packing, distribution and engineering — who worked beneath him were encouraged to form a committee which they take turns to chair on a monthly basis and which reports directly to Keith Ness.

"By giving these managers more responsibility we have encouraged them to play a more active role in the decision-making process," says Ness.

All the cost cutting and product innovation has produced the desired effect. Hornby returned to an operating profit in 1983, but lurched into a loss at the pre-tax level because of the burden of debt left by the buy-out. Last year the company produced pre-tax profits — of £271,000 — for the first time, but paid more than £600,000 in interest. The need to raise capital in order to reduce borrowings is the chief reason for Hornby's flotation.

Hornby's problems are by no means over. The toy market is as competitive, and its young consumers are as fickle, as ever. As the experience with Flower Fingers proved, marketing new products is as important, and more expensive, than ever before. Hornby's resources are tiny compared with those of the US toy giants — Hasbro, Mattel and Palitoy. And as Hasbro's recent swoop on Pedigree's Sindy doll proved, the American manufacturers' appetite for British toys has not yet been assuaged.

Training

The formal and informal routes to the boardroom

BY MICHAEL SKAPINKER

HOW CAN companies find and train those promising managers who will eventually sit on their board of directors? Not by increasing the number of formal training programmes. Those that they have are not particularly effective anyway.

That was the message from the UK's Institute of Personnel Management national conference at Harrogate last month, where Professor Alan Mumford of the International Management Centre, Buckingham, outlined findings of a major study sponsored by the Manpower Services Commission.*

The study is based on interviews conducted during 1985 and 1986 with 144 directors in 41 companies, including BP, Unilever, British Gas, British Telecom, IBM and Jaguar. The aim of the interviews was to find out which management training processes have been effective in the development of main board members and why. Professor Mumford claims the study is unique. No one in the UK or the United States has previously attempted to discover how the leaders of industry gained their management skills, he says.

Formal management development programmes have in most cases been far less effective than companies think. "We find organisations where the system that had been set up had been influential in helping people on their way to the top," Mumford said. But, he added: "Generally we found that formal systems were relatively unsuccessful, even in organisations which have had an apparently well-developed system."

Where companies thought their main board members had benefitted from formal programmes such as counselling and secondments, the directors themselves often disagreed. Some companies did not have a clear idea of what their main board members had accomplished during their time in the organisation.

"One organisation set out four criteria that a manager needed to have before reaching the main board," Mumford said. "I interviewed four directors there. Two failed on two of the four counts. We went back to the organisation and gave them the feedback. When we told them that two out of the four had not met the criteria they had set up they thought we were mad."

Most directors interviewed also said that their superiors in the company had not been a major influence on their development. "Few named a boss as the cause of major development. Where bosses had been influential, and some had, it had tended to be an early experience. They were also much less influended by mentors than the current literature suggests," Mumford said.

So how do board members feel they learnt what they know? "Largely through a variety of accidental processes. Things that had happened to them along the way from which they had learnt," Mumford said.

Learning acquired

There are several advantages to picking up management skills informally, according to Mumford. Informal training is "owned by the managers. They control it. The learning acquired from it is real. It is felt by the manager. The bad news from a development point of view is that it is insufficient and it is unconscious." Many board members had not thought about the skills they had acquired during their careers until it was pointed out to them in their interviews.

So if formal training programmes and bosses and mentors do not play a major role in management development, how best can companies train their future leaders? By building on the informal training, Mumford believes.

More could be gained by taking managers at various stages of their development and getting them to discuss what they have learnt during postings abroad, while working for different parts of the company or while working as part of a product development team. "Why don't we get managers to discuss it at the time? A five-minute discussion when we put someone on a project, a bit of discussion during the experience and maybe 10 minutes afterwards," Mumford suggested.

This monitored, informal learning "is very real, it is direct because it is centred on the job, it is conscious and it is more substantial than either the accidental processes or many of the simulated management experiences."

Some in Mumford's audience in Harrogate seemed concerned that his suggestions meant there would be little for personnel managers to do except tag on to existing informal management training. He conceded that "some aspects of what we've said are bad news for the personnel system." But there was some good news too, he said. By focussing on the work that upwardly mobile managers are doing anyway, personnel training staff are less likely to be seen as an unwelcome intrusion.

Similar conclusions were reached at another Harrogate seminar, entitled "How do you develop leaders?" Philip Hodgson of Ashridge Management College drew a distinction between leadership on the one hand and management or administration on the other. Managers are path followers, he said. Leaders are path finders. "Leadership is concerned with operating outside of the existing rules," he told the seminar.

Hodgson candidly admitted that "it is not possible to teach leadership directly." Like Mumford, he believes that "what can be done is to help people to learn how to learn from their organisations and the other situations that they find themselves in."

Leadership training programmes can provide an opportunity for leaders and potential leaders to take stock and think about what they are learning in their jobs. "Most of what they learn is about their own style of operating and the effect it has on other people." Hodgson said. "In essence the programme holds up a very high fidelity mirror in which they can see many dimensions of their approach to their jobs. Having looked into the mirror, many feel that they would like to change some aspect of the things they see."

* To be published in early 1987.

Maurice Samuelson reports as the company branches out into precious metals through a Denver deal

Costain's profits jewel in Louisiana

WHEN BRITAIN was running short of coal early in World War II, American surface mining experts were called in to help open up large open-cast pits in various parts of the country.

Costain, the engineering and construction company, founded on Merseyside in the mid 19th century, was among those whom the Americans guided. Now the wheel has turned full circle. Down in the American South, Costain is carrying out a $1bn strip mining operation which it won because of its post-war experience in Britain and overseas. On a forgotten battleground of the American Civil War, it is digging out a rich seam of lignite for the boilers of a brand new power station seven and a half miles away.

The operation, in the Dolet Hills of Louisiana, is the brightest and biggest jewel in Costain's expanding mining portfolio. Costain Holdings, with a 60 per cent share, is partnered by two 20 per cent shareholders—its own Australian sister company, Costain Australia, and J. A. Jones, a North Carolina construction group. Commissioned less than a year ago, it was making money from the outset and, within six months, provided a first dividend of $6m to the Costain shareholders.

Ron Samuel, chairman of Engineering and Construction at Costain, who has fostered the scheme since its inception, modestly calls it "a good earner." With profits of $7m to $12m on sales of $35-$40m a year, it gives a 15 per cent post-tax rate of return—"one of Costain's best," he says.

With nearly 70 per cent of Costain's mining activities outside the UK, the venture highlights the group's growing expertise in this field and its slow but steady diversification from property and house-building. Also in the US, Costain has a half share in a Kentucky deep mine, claimed to be among the 10 most productive in the US and Kentucky's fifth best coal producer.

Through these and other large operations in Britain, Australia and the Middle East, mining now generates a quarter of Costain's profits, compared with a mere 4 per cent only four years ago.

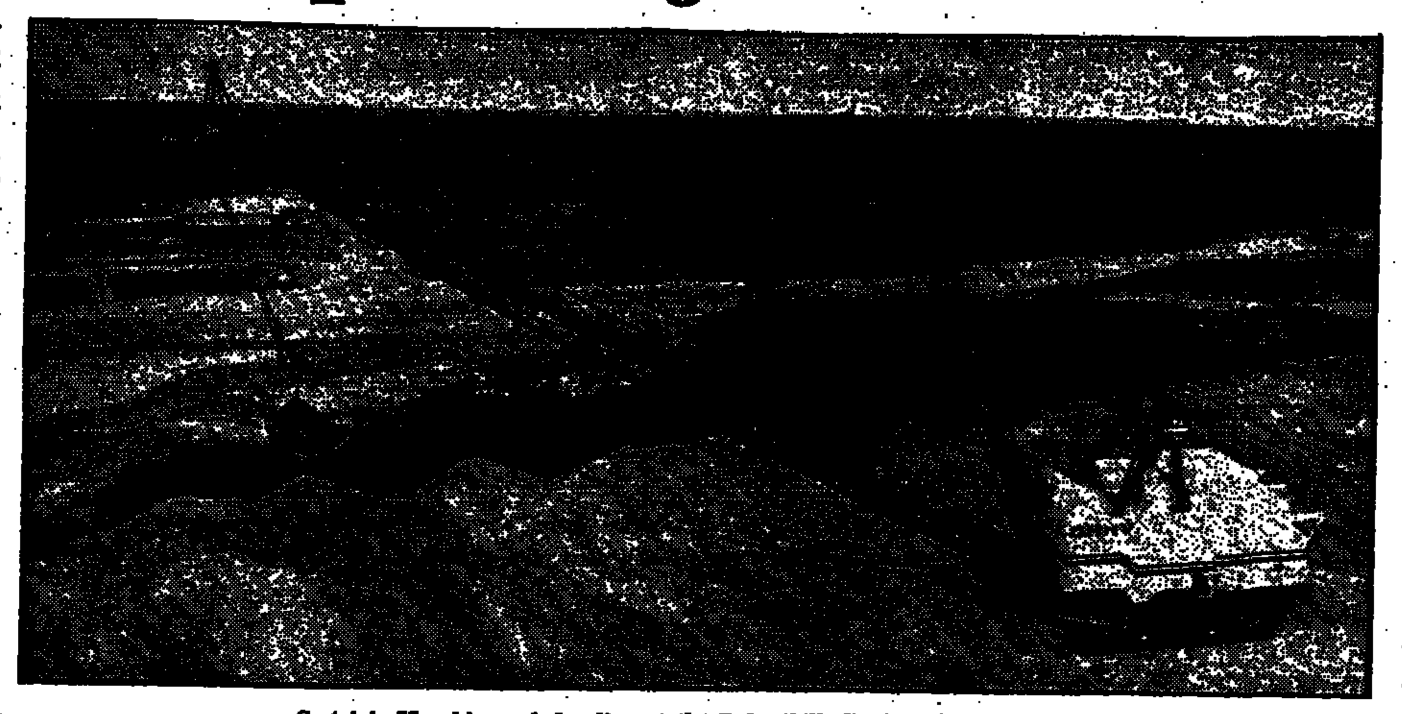
Mining profits last year overtook those of the group's engineering and construction interests, which in terms of turnover are still Costain's dominant activities. The trend seems set to continue, despite the chronic uncertainties about energy prices. Apart from the Dolet Hills mine, some 60 per cent of Costain's coal output is under long-term contract, and thus buffered against price dives like those of the past few months.

Coal accounts for the bulk of its mineral production, the rest being a phosphate operation in Jordan, and some contract mining of iron ore, nickel and copper. Its output of some 18m tonnes a year (of which two-thirds is in the US and the remainder in Australia) matches that from the Nottinghamshire coalfield, the biggest in Britain.

However, the group is planning to move increasingly into non-ferrous metals and non-energy materials where little costly processing is needed.

This week it announced a merger between its US subsidiary, Costain Holdings Inc, and the Denver-based NICOR Mineral Ventures. This gives it rights to talc deposits in Montana, gold in California and South Carolina, and silicon in Michigan, which could be used in making glass for the US motor industry. Other ventures are also under review.

Close to the surface of the Dolet Hills, 200 miles east of Dallas, lie some 300m tonnes of lignite, so rich it does not have to be washed before being burned as power station fuel.



Costain's 77 cubic yard dragline at the Delet Hills lignite mine in Louisiana

Costain's contract allows for the mining of 62.5m tonnes at the rate of 2.5m tonnes a year over the next quarter of a century. But in its first few months Costain has been exceeding its stipulated output by 250,000 tonnes a year and it may soon be asked to raise it to 3m tonnes a year. There is talk, too, of the utility building a second power station to double its use of this low cost fuel.

The present contract differs from some of Costain's other big operations in that it does not confer ownership of the mineral which it is extracting. The mining venture owns the site installations and physical, human and financial resources associated with it. As it supplies the lignite at a fixed price, the contract can be ended if the performance falls short of the contractual requirements. But it is also insulated from the risks and as well as the windfalls of the energy market.

Once the contract was signed, Costain looked for $100m as the initial investment in equipping and preparing the site, although in the event the cost turned out to be considerably less.

Among civil engineers, open-cast mining is sometimes thought to be a crude and messy way of making money. Even allowing for the tight standards of restoring the badly scarred mining sites, it tends to arouse less professional excitement than, say, deep mining or major building projects.

The Dolet Hills scheme, though, is notable for its scale and complexity. Several miles from the nearest populated centre, the site, formerly little more than a bird sanctuary, is now dominated by a new inhabitant. Looking like a cross between a prehistoric dinosaur and a cross-Channel ferry, a 4,000-tonne "walking dragline" is creating long, deep canyons in the sandy earth to uncover the six-foot-thick "blue vein" of lignite.

Manned night and day, it shifts the equivalent of its own weight every hour, simultaneously filling in the hole from which lignite has been removed. The fuel is then dumped on to a covered conveyor belt for a 50-minute cross-country ride to the power station storage yard.

The power station, built at a cost of $800m, is already proving one of the cheapest sources of electricity in this part of the US. It is operated by Swepco which, with another local utility, Cleco, jointly owns the lignite deposits and which jointly awarded the contract to Costain.

The main hazards are geological and hydrological. What happens, for example, if the lignite turns out to be thinner than the detailed exploration suggests? Or if the overburden—the earth and rock which cover the lignite—proves unstable and harder to remove than forecast?

A miscalculation on the abrasiveness of the overburden would also add costly wear and tear to the teeth of the excavators or the tracks of bulldozers. And what happens if the rock proves too porous to dry out the lignite with the costly pumping equipment?

The risks are magnified by the sheer scale of the operation. In supplying 62.5m tonnes of lignite over the 25-year life of the contract, the operator has to shift a staggering 700m tonnes of overburden. This then all has to be put back again to make the site look as good as—and preferably better than—before.

Nor can this be deferred until the end of the day. The mining company is bound by a yearly performance bond — averaging about $15m—placed under an insurance policy with the State of Louisiana. Yearly approval of the standard of land restoration has to be won to avoid forfeiting the bond.

The task is not made simpler by differences between the state and the Federal Government in Washington. One such argument centres on whether to replant the site with conifers or hardwood trees. The hills are at present covered with

Mr Ron Samuel, chairman of Engineering and Construction at Costain

pines which the International Paper Company, owner of the land and operator of a nearby paper mill, chops down wherever and whenever strip-mining is about to commence.

Costain's contract obliges it to make the land suitable for pines. This was originally approved by the Louisiana State authorities, but now the Federal Department of Wildlife and Fisheries says it would prefer hardwoods to be planted to give cover for deer. That stipulation would require the addition of four inches of top soil, a costly luxury not needed by pines.

Costain's researchers also had to conduct an exhaustive local history survey and to ensure that features of historical interest are protected.

"We won the contract because we did more research than the others, and because the clients saw us as problem solvers rather than problem creators and because of our readiness to accept bigger risks for an enhanced return," says Mr Samuel.

TECHNOLOGY

Peter Marsh reviews the Policy Studies Institute robot report

Urge to step up automation

INTRODUCTION of robots into UK industry has generally produced favourable results, making manufacturing activities more profitable. But unless the Government steps up its direct support of robot users or a fall in interest rates occurs, the prospects for greater use of advanced production methods in Britain look "gloomy indeed."

These are among the conclusions of a detailed survey, published today by the Policy Studies Institute, into uses of industrial robots in Britain. At the end of 1985, UK industry owned 3,200 robots, defined as computer-controlled handling mechanisms. The machines were shared out among about 740 users, or roughly one factory in 40.

The number of plants using robots in Britain increased by about 50 per cent a year between 1981 and 1984, with the rate of increase falling off last year.

There is some concern that UK industry may not be turning to automation as quickly as manufacturing businesses elsewhere. For example, the total number of robots in Britain last year was less than the increase in numbers of the machines introduced into West German industry in the same 12 months.

Robots generally cost in the range £20,000 to £80,000. Engineering costs involved with fitting the machines into existing factory systems can sometimes multiply the total bill threefold. Major suppliers include Unimation and Cincinnati Milacron of the US, Hitachi and Fanuc of Japan and Sweden's Asea.

About 60 per cent of all robot users in Britain are in the car and engineering industries, with a further 13 per cent making other metal goods. Many of the plants buying the machines have incorporated robots into large-scale automation systems involving computerised machine tools and computer-aided techniques to design new products.

Two-thirds of robot users employing fewer than 200 people have only one machine, while plants covered in the survey with more than 1,000 workers on average have about seven robots each.

Owners of robots are generally pleased with their acquisitions. Four-fifths of robot users say the machines have proved worthwhile, with 61 per cent stating that the hardware has increased profitability, by improving quality or reducing labour costs for example.

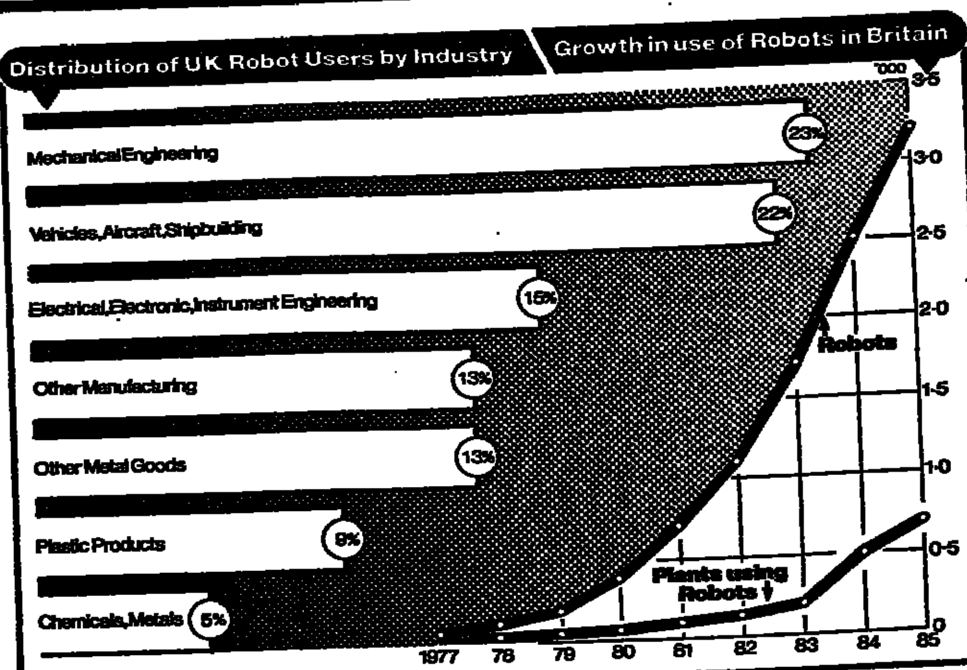
Two out of three factories using the systems say they plan to buy more machines in the next two years, on a scale that would increase the number of robots in Britain by 60 per cent. The PSI survey suggests, however, that these plans may be optimistic and that the actual increase in robot population will be less.

The most important obstacles to further expansion in robot applications are financial. Seven out of 10 robot users say that cheaper machines would help their own expansion plans. Half want more government support while 41 per cent are looking for an upturn in the economy.

Other points highlighted by the survey are:

- Installation costs. Many companies fail to foresee the expense of developing specific applications for robots. On top of buying the robot, a company may need, for instance, to develop new robot grippers, transport systems and safety equipment.
- Payback. Installation of a robot can take more than six months before it is working properly and programming bugs are sorted out. Thereafter efficiency of the machine improves gradually and "maximum profitability is usually not achieved until several years after introduction," according to the report.
- Reliability. About a quarter of robot users expected and experienced problems with maintenance. Many concerns had far more difficulties than they bargained for initially. The main reason for this is lack of specialist expertise inside the factory.
- Industrial relations. Although 31 per cent of robot users expected to meet problems due to opposition to the machines from blue-collar workers, only 2 per cent did so. Nearly one in five of companies say that labour relations improved after robots were introduced. Generally, attitudes towards the machines among workers improved after they familiarised themselves with the mechanisms.
- Employment. Robots have led to lower labour costs for more than half the plants using the machines, but this has rarely involved redundancies. Altogether three fifths of factories report no change in employment as a direct result of robots, 8 per cent an increase and 25 per cent a decrease. The net direct decrease in employment nationally has been only about 700 jobs, or roughly one per user and one for every four robots. Clearly the notion that application of robots will lead to large-scale job losses has yet to be justified.
- Skills and training. Not enough production engineers have the skills to cope with robots. Many users have had to rely on suppliers to provide these skills and get their machines working properly. The problem is likely to be intractable, says the PSI, until more engineers with the necessary qualifications are trained by the polytechnics and universities.
- Government support. Many potential users of robots lack awareness of the consultancy schemes and grants organised by the Department of Trade and Industry.

Robots in British Industry: Expectations and Experience by Jim Northcutt and others, £39.95, Policy Studies Institute, 100 Park Village East, London NW1 3SR.



ROBOT STATISTICS

THE US robot industry is experiencing "a difficult period," according to the Michigan-based Robotic Industries Association, a trade body which represents 300 robot suppliers and users.

The US represents the world's second largest market, after Japan, for industrial robots. The country's manufacturing industry operates about 22,000 of the machines, compared with 6,500 in 1983.

Orders for new robots slumped in the first half of 1986, to 3,047 robots valued at $200m, compared with 3,348 machines worth $259m for the first six months of 1985.

These poor figures cancel out optimism in the industry caused by a strong growth in robot sales. In the first six months of this year, shipments totalled 3,236 robots worth $202m. This is compared to the 2,764 robots, valued at $143m, sold in the first half of 1985.

While declining orders are a matter of concern, the trade association says it is confident of the future for the US robot industry. Studies suggest that of the roughly 65,000 industrial concerns in the US capable of employing robots, only about 10 per cent have any experience with the machines.

The rate of introduction of robots into the car industry, for many years a big user of the hardware, is slowing down. On the brighter side for the industry is that applications for the machines are expanding in other areas of manufacturing, such as electronics, food processing, pharmaceuticals and textiles.

Composite materials

STRUCTURAL COMPOSITE resin-based materials will be used increasingly in the automotive industry in the 1990s, particularly in the US according to SRI International, the big Menlo Park, California-based research and consultancy organisation.

Most of the uses will probably be in engine and other running parts says SRI, but if applications extend to the vehicle's structural steelwork, there would be "a dramatic impact" on the whole car industry. The predictions are contained in a recently published study from SRI, "Business Opportunities in Resin-based Advanced Composites."

These composites use carbon, glass or aramid fibres in epoxy and other bases and would allow manufacturers to execute model changes with lower tooling and engineering costs says SRI. Lower manufacturing costs than for traditional steel could lead to a restructuring of the car industry into speciality businesses with a large number of limited edition models. In the US SRI is on (415) 859 2979 and in the UK on 01-686 555.

Switch emphasis to electronics

WORTH WATCHING

Edited by Geoff Charlish

MECHATRONICS IS an area to which the West needs to pay much more attention, according to the technology information group Technical Insights of Englewood, New Jersey, in the US.

Mechatronics is emerging as a new engineering discipline in which electronic technology is used to replace mechanical functions in the design of products ranging from cameras to typewriters.

The US company says that in virtually every technological area where Japanese manufacturers are ahead of their American counterparts, the product or process (or both) involved features mechatronics.

Some companies like US telecommunications giant AT&T and IBM, the world's largest computer company, are already encouraging cross-discipline training in mechatronics and some universities outside Japan are beginning to get to grips with the subject. The University of California, for example, hopes soon to offer a master's degree in mechatronics. But in Japan, the idea has already been developed at over 20 universities. More from Charles Joslin in the US on (201) 568 4744.

COMPACT DISC read-only memory (CD-ROM) units able to handle audio and data have been introduced by Hitachi New Media Products, a UK subsidiary of the Japanese electronics group.

Known as the CDR-2500S, the disc drive unit can be connected to an eight-bit IBM computer or to other machines via a standard small computer system interface. An optional audio printed circuit board provides two output channels, either stereo or bi-lingual, and allows for a mixture of data, music and speech.

Up to four of the drives can be connected together giving a system well suited to large database applications with a capacity up to 2.2bn characters and an access time of 0.5 seconds. Data can be transferred at up to 176,000 characters per second. More in the UK on 01 848 8787.

THE PARLIAMENTARY on-line information system (POLIS), used by members of both Houses of Parliament in the UK to access information about questions, debates and papers, is to be taken over by UCC, the London-based computing services specialist. It will use Digital Equipment VAX machines and Battelle software to make 300,000 records available on a network of 39 terminals.

It has also recently been announced that British Olivetti is to supply the UK Government's computer buying and support unit, the CCTA (Central Computer and Telecommunications Agency), with a complete office automation system. Some 90 M24 microcomputers and 110 other terminals are involved in a contract believed to be worth about £1.5m.

COMPUTER-AIDED geology with screen and keyboard graphics is offered in a new system from Intergraph, the US-based computer aided design company.

The system, called Gipsie, is aimed at the oil and gas production industries. It allows geologists with no background in computers to capture, interpret and model data, closely following established manual procedures but speeding them up many times. Extensive "help" facilities are provided on the screen, allowing the user to concentrate on geology rather than computing.

As well as dealing with the interaction of geological layers and features with bore holes, including sectional views, Gipsie will produce maps and deal with the necessary calculations to determine gas/oil volumes and reserves. It will also generate three-dimensional views. In the UK Intergraph is on 0793 619999.

WALL TIES, those small pieces of galvanised metal that hold the two leaves of a cavity wall together, eventually corrode and have to be replaced.

First however, they have to be located and building companies might be interested in an instrument from Protovale (Oxford) of Abingdon in the UK, which does the job for £200.

The Imp Mk 2 is a self-contained battery operated unit in a robust ABS plastic case which will locate ties of any shape at depths up to 135 mm. The operator uses a search coil and listens for a maximum sound from a loudspeaker. More from the company on 0865 821277.

FLIGHT SIMULATOR and other training equipment for the Boeing 747-400 airliner is to be made by Singer Link-Miles at its Lancing factory in the UK under a recently placed $14m order.

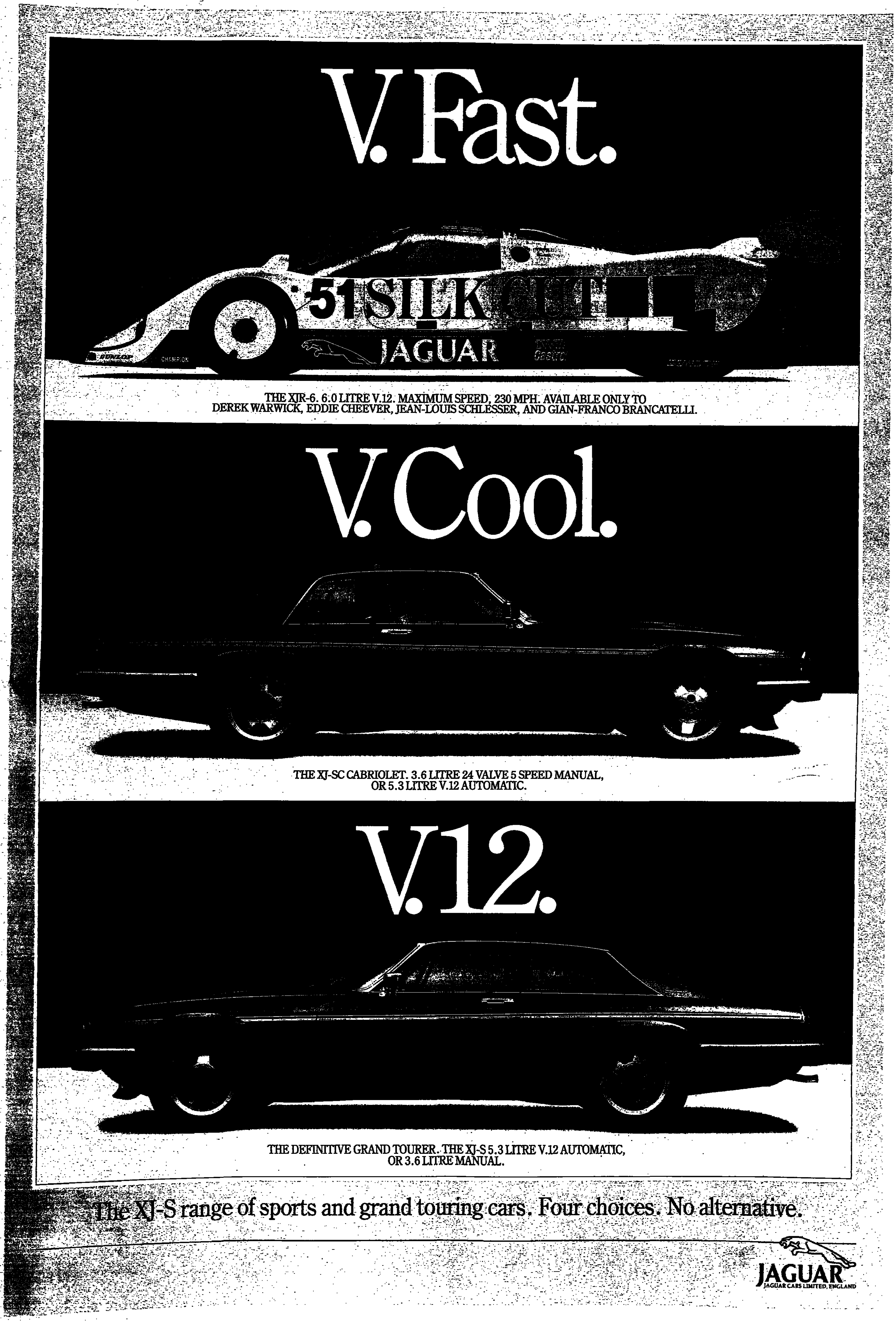
Boeing will use the system for initial crew training for airlines acquiring the 747-400, the company's most recent design of wide-bodied jet. The simulator will enter service during 1989.

DISTRESS BEACONS that "talk" have been developed by Hull University in collaboration with Hull electronics company Emtrad. Equipped with microprocessor and speech synthesiser, the beacon can be programmed to "speak" the name and registration of the vessel on which it is carried and transmit it on the radio distress channels. More on 0482 465304.

ELECTRONIC MAP generators that are portable but can store and display maps of the Western Europe to normal 1:50,000 Ordnance Survey detail, are under development at Cambridge Consultants of Science Park, Cambridge in the UK (0223 358855).

The work is being carried out under a UK Ministry of Defence contract to supplement other work in progress at the Royal Signals and Radar Establishment in Britain.

RSRE has already developed a system for compressing the map data and Cambridge Consultants is to design a processor and software which will manipulate and display the map data on a portable Ferranti graphics terminal.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ICL will seek partnerships to spread costs

BY DAVID THOMAS

ICL, the largest UK-owned computer company, is seeking partnerships to spread costs as an alternative to merging with another big computer company.

As part of this strategy, it wants to set up a number of one-product companies to develop its technology. It is also keen to invest in small businesses.

Some analysts believe that more big mergers in the computing industry are inevitable as development costs increase. Sperry and Burroughs of the US have merged this year. Honeywell of the US is also considering merging its computer interests with NEC of Japan and Bull of France.

However, Mr Peter Bonfield, ICL chairman, said yesterday that ICL's policy of making "strategic alliances" was an alternative to mergers. He was speaking after disclosing details of a new company, Active Memory Technology, which is being spun off from ICL. It will develop a computing device, known as the distributed array processor.

A group of venture capital organisations are paying £4m for a 75 per cent share in this company, in which ICL will keep a 25 per cent stake. The staff of the new company will also put in a small amount of money. Mr Bonfield described this arrangement as "an innovative way of exploiting ideas."

ICL had hit on this arrangement because the main market for the device was for scientific workstations, which ICL was not concentrating on. ICL had, therefore, not developed the technology beyond the prototype stage.

However, ultimately the device would become important to defence, which was one of ICL's target markets. Holding a minority stake would, therefore, allow ICL keep a "window" on the technology.

He said that ICL was seeking three different kinds of alliances with other companies. These were:

- Joint ventures. ICL is looking at more joint ventures with large companies. It already has joint ventures with Fujitsu of Japan on chips, Mercury Communications of the UK on value-added networks and Sun Microsystems of the US on technical workstations. ICL's next priority is to clinch a marketing deal with a large company on the Continent.
- Start ups. ICL wants to invest in companies starting up in the high-technology field which need the resources of a large company. Mr Bonfield said this was another way of gaining access to new technology.
- Spin-offs. ICL will be trying to arrange other spin-offs along the lines of the one announced yesterday, but Mr Bonfield emphasised that each one took time to complete.

DEFENCE SECRETARY BACKS RESEARCH INTO SDI

Companies win Star Wars work

BY TOM LYNCH

BRITISH COMPANIES have been awarded research contracts worth $17m under the US Star Wars programme, Mr George Younger, the Defence Secretary, told the House of Commons yesterday.

Mr Younger supported President Ronald Reagan's decision to press on with research into their strategic defence initiative.

The question of Star Wars was raised by Mr Bob Clay (Labour) who claimed that the failure of the Reykjavik summit had proved that SDI was a barrier to disarmament. He went on: "The only reason the US wants British involvement is to rip off commercial research and development by British firms."

Mr Younger told MPs that the Soviet Union had been offering "an extraordinarily bad bargain which the President was quite right to refuse." He said the Soviet aim at Reykjavik had been to block US Star Wars research while continuing with its own strategic defence research. It was right that Britain should participate in the US programme to find out if such a defensive technique could be effective.

It was not absolutely clear whether the Soviet Union was concerned with the precise definition of research or whether it was so opposed to any development of SDI that no progress on arms control would be possible.

Conservative MPs expressed concern over an ambush early yesterday of a cruise missile convoy by anti-nuclear protestors in which it was reported that the convoy, based at Greenham Common, west of London had been immobilised.

Mr John Stanley, the armed forces minister, issued a warning to protestors, after praising the "patience and restraint" shown by police and service personnel in yesterday's incident.

Lynton McLain writes: The best and final offers from GEC and Boeing for Britain's new airborne early warning aircraft have to be submitted to the Ministry of Defence by tomorrow.

The deadline comes after the Royal Air Force had supervised in-flight tests comparing the GEC/British Aerospace Nimrod aircraft with the Boeing E3 Awacs airborne warning and control system.

Plessey, one of the main UK industry supporters of the Boeing bid to supply the RAF with the E3 Awacs aircraft and a potential partner in making the Boeing radar, claimed yesterday that the flight tests had shown that the performance of the Nimrod was markedly inferior to the Boeing aircraft.

Plessey agreed in August to collaborate with the US Westinghouse company which makes the radar for the Boeing E3 Awacs aircraft. The two companies are now close to signing a detailed agreement, to be implemented only if the UK orders the Boeing E3 Awacs.

US bank chooses new London headquarters

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

MANUFACTURERS Hanover Corporation, owner of the fourth-largest bank in the US, is to spend £90m to establish a new British headquarters in the West End of London.

It is taking over the Adelphi building, built before the Second World War, just off the Strand and near Charing Cross station, by buying out the leasehold interest of Philips Petroleum and purchasing the freehold from Prudential Assurance.

Philips, meanwhile, has decided to move out of town, to two new developments in Woking, the first significant letting in the town for a year.

Mr Paul Maloy, head of the London branch of Manufacturers Hanover Trust, the banking subsidiary of the corporation, said that the bank had been looking for new premises for two years. It plans to consolidate staff spread out over seven locations, including one adjacent to the Bank of England in the City of London.

The bank's search emphasises the shortage of large-scale accommodation in the City. At the Adelphi, Mr Maloy explained, there were 200,000 square feet available now, "which doubles the effective footage the group has now and meets our needs for the next few years."

The point about the Adelphi was that it was available now – Manufacturers Hanover would not have to wait two years for either a refurbished office in the City or the completion of a building in Docklands, to the east.

The bank would be able, at the Adelphi, to have dealing rooms of up to 25,000 square feet, satisfying the now habitual demand of financial institutions for large open trading spaces. It plans an expansion of its dealing activities.

MP will raise fears over Channel tunnel

BY ANDREW TAYLOR AND MICHAEL CASSELL

FEARS about the safety of passengers using the proposed Channel tunnel between England and France are expected to be raised in a minority report accompanying the main recommendations of a House of Commons select committee due to announce its findings on the tunnel today.

The committee, which was meeting last night to finalise its recommendations, has been hearing petitions against the Channel Tunnel Bill. It is due to meet petitioners this morning to announce its conclusions. A full report is expected to be published within the next two weeks.

The committee, chaired by Mr Alex Fletcher, former Trade Minister, is understood to recommend about 12 amendments, some of which affect the siting and scale of approach roads to the tunnel. The main elements of the bill, however, are thought to have been left intact.

At least one MP on the committee, Mr Nick Raynsford, Labour MP for Fulham, London, is known to be preparing a minority report criticising plans to keep cars and passengers together in trains using the 31-mile rail tunnel.

Flexilink, a consortium of ferry companies, ports, environmentalists and local residents opposing the tunnel, has argued during the hearings that vehicles and passengers should be segregated as they are on cross-Channel ferries.

Last night the committee was deciding whether to include amongst its recommendations a call for a public inquiry into planned improvements to the A20 heading east from the tunnel entrance to Dover. This is not the main route to the tunnel, with most traffic expected to approach from the west.

Other amendments affect the siting and scale of approach roads to the tunnel in Folkestone.

The minority report by Mr Raynsford is also expected to criticise plans to make Waterloo station the main London terminal for the cross-Channel rail link. He says other options should have been considered.

The Government has also proposed more than 80 amendments to the bill. These include provision for dumping tunnel spoil at the foot of Shakespeare cliff on the Kent coast; assurances that public money will not be used to bail out the project to be included in legislation as well as the treaty to be signed with the French; and stronger powers for local authorities to influence the appearance and layout of tunnel buildings.

Minister dismayed, Page 16

Shell to cut 450 jobs after manpower study

BY LUCY KELLAWAY

SHELL UK Exploration and Production, the North Sea operating arm of Shell and Esso, has announced that 450 jobs must be lost by the end of next year.

This is the first move by Shell to cut its workforce as a result of the sharp fall in the oil price and follows similar steps taken by many of the smaller offshore operators.

Shell said yesterday that the cuts had been prompted by a manpower study which recommended its 6,400-strong workforce should be cut by 8 per cent.

The company is hoping to avoid making any compulsory redundancies and aims to achieve the cuts through natural wastage, lower recruitment and by redeploying workers to other parts of the Shell organisation. A disproportionately large number of job losses may be borne by Shell's contractor staff.

Shell is the first of the UK-based majors to announce job losses in exploration and production. BP said yesterday that it had so far made no staff reductions.

Until now the brunt of the job losses has fallen on the smaller companies and on the offshore suppliers.

Altogether about 8,000 oil-related jobs are estimated to have been lost in Scotland since the beginning of the year.

Last week, Shell UK announced 700 job losses at its refinery at Stanlow in Cheshire, north-west England. This was part of a five-year rationalisation plan

Schools set for more disruption over pay claim

By David Brindle

THE Government is braced for disruptive action to continue in schools in England and Wales whether or not it acts to impose its terms for settlement of the teachers' pay issue.

Senior ministers believe the National Association of Schoolmasters/Union of Women Teachers, the second-biggest teaching union, is determined to go on with strikes and other action in pursuit of what the Government will present as a 50 per cent pay claim.

Ministers are pessimistic about the chances of the Labour-led local authorities and the unions reaching any agreement in negotiations in Nottingham next weekend. Legislation for imposing the Government's terms has already been prepared.

While recognising the political risks of moving for imposition, ministers are none the less confident of carrying public opinion in the face of continued disruption by the NAS/UWT and, possibly, also the National Union of Teachers.

UK NEWS

Thatcher denies attempting to intimidate BBC

BY IVOR OWEN

DENYING that the Government is trying to intimidate the BBC, the Prime Minister stressed in the House of Commons yesterday that Mr Norman Tebbit's complaint about "pro-Libyan" bias in television news coverage was made in his capacity as chairman of the Conservative Party and not as a Cabinet Minister.

Mrs Thatcher's attempt to distance the Government from the controversy was dismissed as "incredible" by Mr Neil Kinnock, the Labour leader. Her predecessor in 10 Downing Street, Mr James Callaghan, accused Mr Tebbit of having sent "a bullying letter" to the BBC.

To cheers from the opposition benches, Mr Kinnock called on the Prime Minister to condemn "the manic efforts" made by Mr Tebbit to subordinate the BBC by a smear campaign.

Mrs Thatcher replied that Mr Tebbit had raised a straightforward issue – whether the BBC was honouring the terms of its charter and licence.

She contended that it was not a matter for the House of Commons to discuss since it was for the governors of the BBC to consider the complaint and respond to it.

Mr Kinnock returned to the attack by describing Mr Tebbit as the Prime Minister's "creature" and insisting that the main purpose of the complaint had been to intimidate the BBC because it was was not manipulating the news in the manner which the Government wished.

Mrs Thatcher retorted that the charges made by Mr Kinnock suggested that he had not read Mr Tebbit's letter, which she believed amounted to a fairly measured complaint.

Mr Kinnock assured the House that he had read the letter. He protested: "It is not a complaint. It is coercion, and it is entirely wrong."

Mrs Thatcher again maintained that it was for the governors of the BBC to see whether the charter and licence had been honoured

Dr David Owen, leader of the Social Democrats, pressed for a clearer distinction to be drawn between Mr Tebbit's roles as chairman of the Conservative Party and a Cabinet Minister.

Mrs Thatcher agreed that it was necessary to distinguish between Mr Tebbit's two roles and said it was on that basis she had replied to questions on the issue.

Bonn seeks British aid in jobs study project

BY DAVID FISHLOCK, SCIENCE EDITOR

GERMAN GOVERNMENT scientists are seeking British industrial participation in a £36m-a-year research programme on the humanisation of work. The project is funded by the federal Government.

The scientists say that, if they find particular experience in the UK that fits into their programme, they are willing to fund the research in Britain.

They are seeking the co-operation of bodies such as the Confederation of British Industry, the employers' organisation, the National Economic Development Office and the Technical Change Centre in joint research to give their programme a wider international dimension.

The programme aims to prevent and reduce stress in the workplace, to match new technologies more closely to people's needs and to surmount hurdles in using the benefits of research and development at work.

The programme is being managed by the Federal Ministry for Research and Technology in Bonn and provides 50 per cent funding for projects.

Leading German manufacturing companies including BMW and Daimler-Benz, as well as many small organisations, are participating in the programme, which started in 1974.

Bonn officials in England this week have been attending a conference on human factors in manufacturing at Stratford on Avon, where Dr Hans-Peter Lorenzen, programme manager, told the meeting yesterday that its aim was not to draw up a design social change.

The aim was to try to anticipate the problems a particular sector of industry might expect to face in five to 10 years and help to solve the problems systematically.

Dr Lorenzen said that, as a result of the programme, Germany believed it had the most advanced concept for industrial evolution of any nation.

Change involved many different specialities and vested interests, each of which set about preparing for change in its own fashion, or not at all.

If changes were introduced in the wrong order – if, for example, robots were introduced before people had learned to accept and care for them – the change could be fraught. Dr Lorenzen said it was still rare for a company to accompany an investment decision with a supporting programme of retraining.

"Experience shows that it is characteristic of successful innovations that they incorporate technical, economic, organisational, social and human aspects."

Robots were only part of a more complex industrial system. "They cannot work miracles by themselves but cause losses if the interactions in a complex system are not sufficiently understood."

Federal funds available for the programme amounted to DM 93m (about £32m) last year

Property prices up four times rate of inflation

By Joan Gray

HOUSE PRICES are now rising at more than four times the rate of inflation and nearly double that of average earnings, according to figures published by Britain's largest building society, the Halifax.

House prices in the UK are now increasing at an average rate of 13.6 per cent a year after falling back to 12.8 per cent in September, when the early summer boom in prices seemed to be losing its momentum.

Although the rate of house price inflation has picked up – prices rose by 2.9 per cent over the last three months, compared with 2.5 per cent in the three months to September – it is still nowhere near its early summer peak when house prices rose by 5.4 per cent in the three months to June.

The 13.6 per cent national average conceals a wide and growing gap between the north and south of the country.

Rates of increase in house prices in London and the south-east have stayed steady at 25 per cent and 20 per cent respectively for the last five months and have shown no sign of slowing in the latest survey, whereas house prices in the north of England, Yorkshire and Humberside have fallen back in the latest quarter to an annual increase of 7.6 per cent.

Last month's mortgage rate increases of around 1.25 per cent have not yet started to affect prices. The average price for all houses is now £41,550, compared with an average of £46,780 for a new house – 11.4 per cent higher than a year ago – and £31,420 for a first time buyer, 13.4 per cent higher than a year ago.

Wages 'threaten inflation outlook'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE PROSPECT of continued rapid growth in earnings and the impact on prices of a weak pound point to a worsening of Britain's inflation and trade performance next year, according to reports from two City securities houses.

In an analysis of the likely level of settlements in the current pay round, Phillips & Drew says that virtually all the main determinants of wage deals suggest that there will be no more than a slight fall in earnings growth.

Inflation has picked up from its summer low and is expected to rise gradually through the pay round, company profits should remain buoyant and unemployment is forecast to show a slight fall next year.

At the same time the Government will face considerable difficulties with public-sector pay demands in the run-up to the next general election, a factor highlighted by the current dispute over teachers' pay. Most public-sector pay groups are unlikely to settle at less than last year's rates.

As a result economy-wide average earnings are likely to rise by 7.25 per cent next year, only fractionally below the present rate of increase of 7.5 per cent. That in turn will mean an upturn in the rate of inflation to around 4 per cent by mid-1987 and a renewed loss of competitiveness in overseas markets.

In a separate review of inflation trends, Warburg Securities is even more pessimistic. It suggests that retail price inflation could be close to 6 per cent by the third quarter of 1987, almost double the present level.

Warburg points to a number of factors which will lead to faster price increases. The recent fall in sterling's value against other currencies will feed directly and indirectly into retail prices. Imports account for a sizable proportion of consumers' expenditure while improved competitiveness allows British producers more room to increase their own margins.

City scandals 'could bring legal controls'

BY HUGO DIXON

IT WILL NOT take many City of London scandals to turn the self-regulatory system for financial services, now being adopted, into a statutory system, Lord Bruce-Gardyne, a former Treasury Minister, predicted yesterday.

Speaking in London at a Financial Times and Deloitte Haskins & Sells conference on The City after the Financial Services Act, he said he doubted whether the sort of statutory regulation practised by the US Securities & Exchange Commission would be beneficial in Britain.

However, politicians had a tendency to react to wrong-doings by legislating, he said. "So I'd guess it won't take many peccadilloes to turn our securities and investments Board into a home-grown SEC."

At the same conference, Mr Peter Chapman, a partner of Deloittes, said the act's provision that auditors would not be in breach of their duties to clients if they gave information to regulators would change the role of auditors in the financial services sector. It was important that the Institute of Chartered Accountants and the self-regulatory bodies gave accountants clear guidance about what they were expected to do.

In particular, auditors would want to know whether they would have to check the reports investment businesses made to their regulators as thoroughly as they check firms' annual accounts.

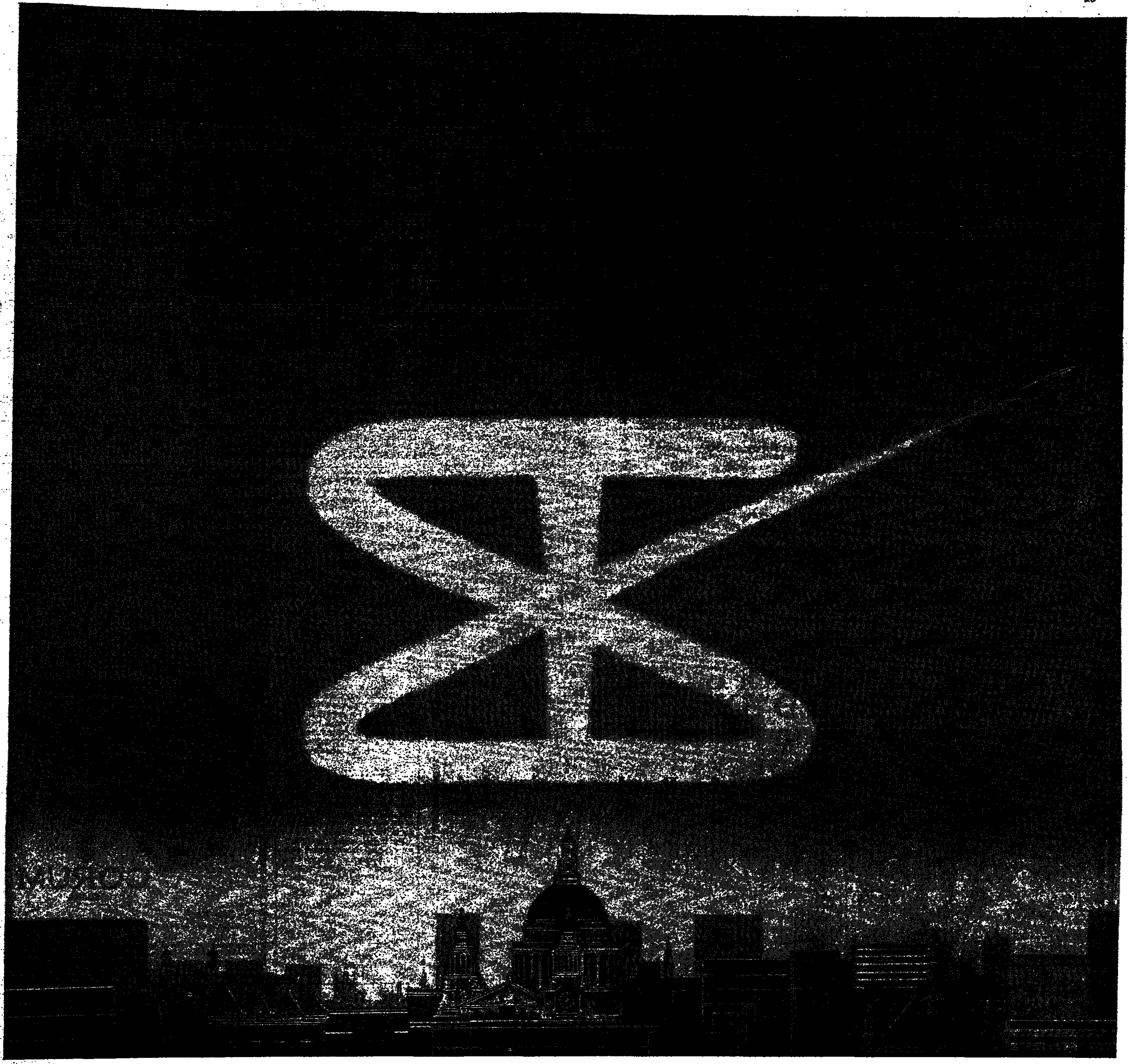
New look for Barclays

BY OUR FINANCIAL STAFF

BARCLAYS BANK has decided to spend £150m on a five-year scheme to spruce up its branches and give them a modern look. The decision is part of Barclay's overall strategy of making banking more accessible to retail customers.

On the inside the new-look branches will be open-plan and decorated in pink and grey. This design will replace the solid but rather drab marble and mahogany – the traditional hallmark of branch design.

On the outside large glass windows will make the branches look more like ordinary shops than the mini fortresses they have resembled in the past. A preoccupation with making banks look invulnerable has been replaced with one of making them look "friendly."



UK NEWS

Overseas groups set pace in automation

By Robin Reeves, Welsh Correspondent

NORTH AMERICAN and Japanese companies in South Wales have introduced significantly more computer control systems and automated processes into their manufacturing operations than neighbouring British companies in the region, according to a new survey of the application of new technology in the engineering industry.

The survey, carried out for the Engineering Industry Training Board by the Open University in Wales, found that the disparity between the foreign-owned and domestic engineering companies was even greater when future investment plans for adopting new technology were compared.

The survey found that most companies are still preoccupied with generating enough business merely to survive; that the most intractable problem faced by the engineering industry in South Wales was an acute shortage of certain professional and technical skills; and that a fundamental change in attitude was required to meet the engineering skill needs of the 1990s.

Lack of demand for the end product was cited as the major influence restricting the rate of investment to improve production processes. The survey revealed that the main stimulus for investment in new technology was the reduction of costs; for electronic companies the introduction of a new product tended to be the more important influence.

Only 10 per cent of those surveyed (52 per cent of engineering employment in South Wales) were using robots in their production processes. Fewer than 18 per cent had introduced lasers and optical fibres

Minister 'dismayed' by opposition to tunnel

BY ANDREW TAYLOR

MR JOHN MOORE, Transport Secretary, said yesterday that he had been dismayed by the suspicion and inertia shown towards building a tunnel between England and France.

He told the European League for Economic Co-operation in London: "The tunnel stirs greater emotion in Britain than it does in France or any of our other Continental partners. There is a feeling – irrational may be, but none the less sincere – that the link will detract from our security and independence."

Enthusiasm had cooled, and "the British tendency to magnify the difficulties and depreciate the benefits reasserted itself" once the project was approved by government in January.

"This derives, I fear, from a pernicious subconcious sense that the nation's great achievements of inventiveness, engineering and business lie only in the past and that all we can do now is preserve what we have inherited," said Mr Moore.

"The primary objective of the present Government since it came to office in 1979 has been to overcome this attachment to the past, to old methods and old attitudes, to conquer this paralysing fear of change, and instead to rekindle the spirit of enterprise and endeavour."

Eurotunnel, which plans to build a twin rail-only link between England and France, announced last week that it had successfully completed a £206m international share placing. British financial institutions were, however, slow to declare an interest.

Mr Moore said that the tunnel would increase passenger choice and provide a spur to improved efficiency and cheeper fares for travellers resulting in more people and more goods crossing the Channel.

Reed switches from oil to coal

BY MAURICE SAMUELSON

REED INTERNATIONAL, the British paper group, yesterday switched on a £10m new boiler house to heat its two biggest paper mills with coal instead of oil.

The plant, at Aylesford, Kent, south-east of London, is one of the largest new industrial coal-burning plants in Europe and one of several which will be switched on over the next few months as a result of British Coal's prolonged industrial marketing campaign.

The Government, which has been offering financial assistance to such conversions, has hailed it as proof that coal is still strategically preferable to oil

The new boiler house will boost British Coal's industrial sales by more than 100,000 tonnes of coal a year.

Sir Jonathan Benn, Reed's chairman and chief executive, said yesterday that, although the oil price had fallen since the project was first planned, he was "convinced that coal remains, in the medium and long term, the best and most suitable fuel for Aylesford."

Ulster appeal to help close economic gap

By Our Belfast Correspondent

THE GOVERNMENT was told yesterday that a series of measures was needed to reverse the growing disparity between the economic performance of Northern Ireland and that of the rest of the UK.

The Northern Ireland Economic Council, an advisory body which draws members from industry and the trade unions, said in its annual report that developments, such as lower oil prices, growing world demand, and buoyant consumer spending were insufficient to fuel growth in Ulster's economy.

Sir Charles Carter, the chairman, told a news conference: "The Northern Ireland economy used to follow closely the changes in the UK as a whole, but the past year has brought a sharp divergence between the province and Great Britain."

He said unemployment on the mainland had been static for six months but continued to rise in Ulster. Job vacancies had risen in Great Britain but not in the province, and employment was growing in the rest of UK while it was falling in Northern Ireland.

The council urged the Government to take steps to protect existing manufacturing, to help small businesses grow and to improve the province's financial incentives to industry.

● Northern Ireland's hardline Democratic Unionist Party, led by the Rev Ian Paisley, said yesterday it planned to mobilise "tens of thousands of Protestants" against the Anglo-Irish agreement.

Northern Ireland Economic Council, 1985-86 annual report, from 2 Linenhall Street, Belfast.

THE ARTS

La Spezia/Rome

William Weaver

Donizetti's *L'esule di Roma* belongs to the early part of the composer's career, though — according to William Ashbrook's list — it is his 26th opera. It was first given, January 1, 1828, at the Teatro San Carlo in Naples, with a brilliant cast that included Luigi Lablache, Giovanni Battista Rubini, and Adelaide Tosi. Its immense success was repeated two years later at La Scala (where Donizetti added a new scene for the tenor); and then it quickly went abroad, to Germany, Austria, and England. But, like so many other of the composer's works, even those that had enjoyed the greatest triumphs, it vanished from the repertory.

The performances that were given in Liguria by an enterprising company called the Teatro dell'Opera Giocosa seem to be the first in this century. Thanks partly to the care with which the work has been staged, and thanks in particular to the stupendous music itself, *L'esule di Roma* may well be launched on a second career.

The libretto, by Donizetti's frequent Neapolitan poet, Domenico Gilardoni, is a tale of ancient Roman nobility and treachery: and the bass — the Roman senator Murena — is really the leading role. It is a study in remorse, for Murena's villainy, his conspiracy to have Settimio banished, has been accomplished before the opera begins. In La Spezia (where I saw the production, after it had appeared in Savona and San Remo), the Murena was Simone Alaimo, an excellent Sicilian bass who has not yet received the recognition he deserves. A commanding actor, he also has a pleasing, lyrical, flexible voice; his use of mezzavoce (perhaps just a bit too frequent) can give various degrees of chiaroscuro to his interpretation. His Murena was dominating, tormented, noble.

The first performances of this production boasted Cecilia Gasdia as Argelia (Murena's daughter) and Ernesto Palacio as her lover Settimio. By the time the opera — and I — reached La Spezia, they had been replaced by Patrizia Orciani and Sergio Bertocchi. The young Orciani made an agreeable impression last summer in a small role in Rossini's *Bianca e Falliero* in Pesaro; here, where far greater demands were made on her, she confirmed her promise, though the singing was uneven and obviously affected by nerves. But she has an appealing stage presence, and acted with grace.

The tenor was another matter. Endowed with a less than heroic physique, Bertocchi made things worse for himself by assuming a hunched posture much of the time, making the same wooden, inapposite gestures over and over again, like calisthenics. He, too, was clearly suffering from nerves; and was nervous-making to watch. Still, the voice itself has a ring, and with a more understanding preparation and increased confidence he could do well. The baritone Armando Ariostini, as the Roman general Publio, did a good job.

Beppe De Tomasi's staging was, for the most part, appropriate and tactful. And the sets and costumes by Ferruccio Villagrossi were simple, effective, even handsome. For some reason, in the very last scene, togas and armour were abandoned, and the singers appeared in early 19th century dress: the soprano as a full-skirted diva, the men as gold-braided academicians. A statue of Donizetti, in the centre of the stage, was understandably looking away from these figures at the proscenium.

Massimo De Bernart, a regular conductor of the Teatro dell'Opera Giocosa, led the largely young Orchestra Sinfonica Piacenza with a secure sense of style, and the players followed him accurately and enthusiastically. The chorus was unsteady, halting; but fortunately in this opera the chorus does not have a great deal to do. The Teatro dell'Opera Giocosa is currently celebrating its 30th year of activity. In those decades they have launched a number of gifted singers (Alaimo is one of them, so is the now-celebrated coloratura Luciana Serra) and brought back to the theatre a number of neglected operas. Operating on an obviously limited budget, they are a positive, intelligent force in the often spendthrift and obtuse world of Italian opera.

Pina Bausch/Rome

Freda Pitt

Some months ago, the Teatro di Roma, which has its headquarters at the elegant Teatro Argentina, commissioned Pina Bausch to create a work about Rome. The result is "Viktor," which arrived at the Argentina at the end of last month.

Some sections of the long work were surprisingly enjoyable, particularly those in which the company foxtrots agreeably to such irresistible melodies as *Putting on the Ritz* and *Just the Way You Look Tonight* (little did I imagine I would hear Fred Astaire's voice as accompaniment to a Pina Bausch work).

The long work is divided into two parts, the end being a repeat of the beginning. It opens with a grinning red-clad woman centre stage, her arms hidden and the sleeves of her dress pinned behind her back, to give the impression of an armless figure. An unwinged victory, perhaps? At all events, despite the occasional references to Italy — and most of the speaking is in Italian, much of it inaudible — Bausch's manner is her now familiar *grotesquerie* (service with a snarl), and the "themes" have not changed. Everywhere her soured eye seems to seek out only brutality, aggressiveness, sexual assault and money-grubbing. She is also still airing her visceral hatred of classical ballet, made to look ridiculous by having a dancer wrap a slice of veal round her toes before putting on her point shoes and then bourreeing gracelessly in them. Repeated entrances and exits also remain a prominent feature.

One thing Bausch's works have in common with Maurice Bejart's is that they are carried by the exceptional quality of the company. These admirable artists make the jumble of ideas look almost coherent; they move marvellously, and they look so extraordinarily at ease on the stage.

Eagling premiere

Wayne Eagling's new work for the Royal Ballet, *Beauty and the Beast*, will have its world premiere on December 3. Designs are by Jan Pienkowski — his first ballet — and the music by Vangelis.

'Otello' sponsor

The Morgan Grenfell Group is to sponsor the Royal Opera House's new production of *Otello*, which has its premiere on January 13 next year. It will be Morgan Grenfell's first arts sponsorship.

Television/Christopher Dunkley

Quality returns with nostalgia

BBC 1's "Sunday Premiere" has suddenly become the most interesting drama slot on British television. *Smart Money* two weeks ago was a far-fetched (?) story of teenage computer hackers breaking into the Stock Exchange system to cream a percentage off every transaction. Its strength and fascination lay in Bernard Rose's direction: working through the style and grammar of arcade games, computer graphics, and high-tech design he turned the production into a virtuoso example of video art.

This week's *Past Caring*, a story of a bizarre love triangle in an old people's home, powerfully written by Tom Clarke and beautifully directed by Roland Eyre, was by turns black comedy, black tragedy, and black farce. The acting from Denholm Elliott as the vigorous "old" man, Connie Booth as the matron, Emlyn Williams as a chair-bound homosexual and Joan Greenwood (who never said a word) deserves a collective award.

Alexandra Pigg and Bruce Payne in "Smart Money"

*

Television anniversaries seem to be among the events which everyone moans about in a ritual way beforehand ("Not another one . . . not all that Dixon and David Frost stuff again. . .") yet which most people then seem to enjoy enormously. Judging from discussions on the day after, Saturday night's three-hour quick-fire barrage on BBC1, *That's Television Entertainment*, must have been tremendously popular, largely, I suspect, because this particular sort of history is the story of our own lives.

Watching the juvenile Petula Clark in her "cake frill" dress, and then as she is today, has nearly the same appeal as leafing through a family photograph album. But how baffling and frustrating that producer Colin Strong chose not to caption his clips. It was bad enough not to have dates, but to conceal the indentity of the early performers was sadistic. I was proud to recognise an early Max Wall from his body movements alone, but never managed to identify the Bavera Trio, Helen Mackay, and many others listed in Radio Times.

Sunday night's showing of the 1963 episode from *That Was The Week That Was* brought out several points vividly. Though it was an omnibus edition and the last episode ever made, it was much to long. However, even 23 years later you could still feel the power of live performance. It was notable too, that all those years ago TW3 with its cameras and cables in shot was calmly practising the "de-mystification of the medium," whose pros and cons are still being discussed today. Above all it proved what a cushy ride politicians are now getting from television: the factual hatchet job on Conservative Home Secretary Henry Brooke showed just what BBC Television can do with freedom of expression when it tries. Today's *Spitting Image* on ITV is outspoken, but shallow farce by comparison.

Incidentally the on-screen programme presentation by old hand Peter Haig, in black tie, was so good, and so different from any other channel's approach today, that BBC2 should seriously consider re-employing him permanently.

*

To express distaste for Esther Rantzen's *Childwatch* programme is rather like declaring yourself on the side of the clubber and against the baby seal. Surely no compassionate person could fail to salute a programme whose sole aim is to help children who are sexually abused by adults (overwhelmingly men). Quite so, but even while saluting the good intention it is hard to ignore the sour taste left in the mouth. What causes it?

First of all, perhaps, the tone: half way between pulpit and social worker's chair. Next, the realisation that, as with the well intended *Crimewatch*, this programme will help to boost BBC1's ratings. That in itself is no bad thing, but one is driven to ask why such programmes are so popular. It is hard to avoid the conclusion that their ratings are won with the same slick showbiz practices as those used in light entertainment and exploitation movies.

No doubt there is value in showing abused children, who are frightened to protest, that they are not alone, and that others have faced and overcome similar problems. However, if your sole intention really was the reduction of this ghastly crime rather than the exploitation of a campaign in order to make popular programmes, you would hardly go about it in this way. Instead of waiting for the children to be abused and then rushing about with terrifically concerned expressions, setting up teams to answer telephones, you would surely put all those resources behind a campaign to attack the problem at root and discover why so many men commit such horrible offences in the first place. That, of course, would not make very attractive television.

Is *Childwatch* not better than nothing? Much. Are the producers' hearts in the right place? No doubt.

Do you not sympathise with the agony of the abused children? Of course.

Does any of that alter the sour taste? No.

*

Still the situation comedies proliferate, and still the producers resort to artificial laughter in their attempts to convince us that their material is funny. *Girls On Top* returned for a second series last week with lines which are presumably supposed to prove that, however cloacal the lads in *The Young Ones* may have been, our modern lasses can go one better. Or worse. "She's been wearing your pants and then putting them back in your drawer without washing them and you've been wearing them warm," is the sort of thing we must now expect — followed by a burst of maniacal hilarity on the soundtrack.

For some years, however, there has not been a programme quite as blatant or cackhanded in its use of canned cackle as ITV's *The Two Of Us*. Watching the opening episode you could see why the producers were so nervous about the need to provide the laughs themselves. It was pretty clear that we were not going to be falling about at this sort of thing:

"She wants to know when I'm going to take you up the aisle."

"What's she think I am, a supermarket trolley?"

The producers, however, provided themselves with a positive explosion of merriment at that point. When you complain and recall that the really great comedians—Keaton, Lloyd, the Marx Brothers—never needed this artificial laughter, television producers widen their eyes, stick their thumbs in their mouths and lisp "Tisn't us, it's all weal people, *weally* laughing." They seem to imagine we will actually believe this, even after hearing the line "Well how about a glass of red wine then?" greeted by a thunderclap of laughter in *The Two Of Us*.

The fact is that even when a modern sitcom is videorecorded in front of a live audience the producer has his fingers on the volume sliders controlling the applause microphones. By this and other means producers can (and do) "enhance" the response during both recording and editing, and plenty have been known to lengthen the laughter too. It is just as *ersatz* as if it really was taken out of a can of prerecorded tape. Of course once noticed by the home audience this nasty habit becomes counter productive and, happily, more and more viewers are noticing.

*

It was inevitable that somebody would eventually produce a television series capitalising on the popularity of vengeance movies such as those in which Charles Bronson plays a violent vigilante. Sure enough it has arrived on ITV, is called *The Equalizer*, and is made in the US but stars our own Edward Woodward as the gun-toting avenging angel. Episode 1 had the statutory slow-motion pier-head car dive and some very nasty scenes involving a rapist armed with a knife. I promise not to mention it again.

Un ballo in maschera/Vienna

Andrew Clark

As a statement of intentions, the new Vienna production of *Un ballo in maschera* does not paint a very fresh or enticing picture of what can be expected at the State Opera in the next few years. The appointment of Claus Helmut Drese as the new director, and his imaginative and quick-witted invitation to Claudio Abbado to join him as music director, promised much —and still does. But, if they are to deliver, they cannot afford to continue on the kind of safe and over-familiar artistic path this *Ballo* represents.

To be fair, there were some distinguished individual contributions, not least from Abbado himself, whose ability to pierce the musico-dramatic heart of this work has been well documented since the Milan production of 1967. His impulses here were all the more acutely felt for being interpreted with the supple strength of the Vienna Philharmonic, who brought immense dignity and force to the swiftly alternating pages of irony and doom-laden fantasy in Verdi's score.

The state performance was dominated—almost embarrassingly so—by Luciano Pavarotti and Piero Cappuccilli, who, like Abbado, have large enough personalities to fill the house in isolation. On this showing, Cappuccilli's voice is maintaining its range and security remarkably well, even though the tone has thinned. He still insists on stepping out of character to acknowledge applause, a pity when he plays Renato's modesty-turned-to-anger so convincingly. Riccardo always was Pavarotti's best Verdi role, the graceful tenor writing highlighted by his diction, legato, and absolute dependability in matters of pitch and top range. Amid all the hype surrounding his appearances these days, it is a relief to hear a performance that shows him to be a great artist at the height of his powers.

But did it really need a new production to put these individual contributions into perspective? The old staging—in which, incidentally, Cappuccilli first appeared 20 years ago—would have done just as well, and would have had the additional benefit of taking the pressure off the young Austrian soprano, Gabriele Lechner, who was given her big chance by the sudden withdrawal of Margaret Price, after the opening night: Lechner's Amelia was too unsophisticated and underpowered to pass as anything more than a plucky try in these surroundings.

The staging—if one can call it that —was described as the "original version" and was attributed to Gianfranco de Bosio, who has had some success with Rossini in Italy. I have yet to discover what hidden truth about *Ballo* is exposed by transferring the setting from Boston to Stockholm, especially as most productions that choose this fashionable alternative go no further than altering the tenor's name to Gustavo.

Emanuele Luzzati's hotchpotch of period over-decoration offered the kind of quaint pictorial background that must have been standard for touring productions in the good old days. It was anonymous and largely irrelevant. The vacuum left by de Bosio in terms of stage direction was most keenly felt in the chorus scenes and the absent characterisation of Ulrica and Oscar, leaving Pavarotti and Cappuccilli to address the audience in much the same way as they would anywhere else. Even those who long for an old-fashioned singers' production are likely to have reservations about this *Ballo*, especially when it has to stand such close comparison with the other Verdi production Abbado is currently conducting at the State Opera — the famous *Simon Boccanegra* staged by Giorgio Strehler at the height of Abbado's career at La Scala, and now transferred to Vienna with an outstanding cast.

Flamenco Puro/New York

David Vaughan

Flamenco Puro, the show that opened at the Mark Hellinger Theatre last month is just that —flamenco dance and music in pure, unadulterated form, not glamourised or prettified, hardly even theatricalised. *Flamenco Puro* was put together by Claudio Segovia and Hector Orezzoli, the team of Argentinian designers and producers, and follows a similar formula. In fact, this show came before *Tango*; it was originally presented in Seville in 1980 and then revived for the Paris Festival d'automne in 1984. The formula is simple enough —to assemble a company of the best available practitioners of a particular form and give them a framework in which to perform. It is safe to say that *Flamenco Puro* presents an aggregation of dancers, singers, and guitarists the like of which can rarely, if ever, have been seen outside Spain, and not often in one place even there.

There are a couple of youngsters among the musicians (the singer Juan José Amador and the guitarist José Miguel Carmona Niño), but the rest all seem to be of a certain age. Among the male dancers, Eduardo Serrano (El Guito) has a slender, elegant figure, but José Cortés (El Biencasao) and Antonio Montoya (El Farruco) are portly, and the women are not just statuesque, they are monumental, with proud, erect carriage and massive, yet softly rounded arms. When Manuela Carrasco, Angelita Vargas, and Pilar and Rosario Montoya emerge, wrapped in white shawls, for "Caña," it is like seeing four ancient monoliths materialise before your eyes.

Unlike some of the more refined, aristocratic Spanish dances, such as the Bolero, elements of which have been absorbed into the vocabulary of classic ballet, flamenco can be rough, even coarse, both in the hoarse, throaty vocalism of the singers, which so clearly indicates its Moorish origin, and in the wild kicking, stamping movements that characterise the dances just as much as the close to the floor heel-and-toe beats (*zapateado*).

Although the songs and dances are often tragic in their implication, they can be playful and humorous too. When Angelita Vargas tucks her skirt under her provocatively swaying rump, we know that sex does not always have to be taken too seriously. Serrano, in his *Soleares* solo, erupts in a series of fierce kicks and twists of the leg, then strolls off casually and cockily, his waistcoat flung over one shoulder. The opening and closing *bulerias* are exuberant competitive improvisations, with the dancers' arms and legs flying out in all directions.

This is a presentation of consummate theatrical taste. The settings by Segovia and Orezzoli are stark in their simplicity—an arena-like semi-circle of dark grey panels, before which there sometimes descends a curtain painted to resemble a peeling wall—and the lighting is often harsh. Everything is designed to make us concentrate on the performers, their rhythmic virtuosity, their dignity and nobility.

Muir Quartet/Wigmore Hall

Dominic Gill

I first heard the Muir Quartet, before they had made any kind of public name for themselves, as entrants in the Evian String Quartet Competition six years ago. It was clear from the start that they were by far and away the most mature and polished group in the running, and it was no surprise that they were declared the winners. Since then they have distinguished themselves as one of America's best young string quartets, and established themselves with records and tours.

The Muir came together at the Curtis Institute in Philadelphia, and it was nice to find at their recital on Monday that the first and second violins still happily swap places in alternate works — that notorious Curtis habit which so alarmed the Borodin Quartet when they were jury members at Evian. The young Americans impressed again with their exceptionally cultivated sound: clean, concise, warmly robust — their only fault perhaps a tendency still to over-inflect their espressivo, never to let go, and thus occasionally to overburden passages which ideally call for a drier, lighter touch. But that's very much a fault in the right direction; and their Beethoven op 18 no 3 was for the most part admirable, strong and firmly rounded, underpinned by a splendid rhythmic impetus.

They voice their playing with the greatest care — and with the confidence and ease born of years of Curtis chamber music making. Dvorak's American quartet (op 96) was exquisitely gauged and coloured: barely a strand was out of place, and not a counterpoint was skimped or ignored. Their account of Bartok's sixth quartet was flowing and urgent. It did not have the brilliant lights and half-lights of, say, their contemporaries the Takacs Quartet's performance — the Americans' *mesto* interludes were more wholesome than rendingly, endlessly sad. But it had impressive command: and in the March especially an irresistible rhythmic bite.

LCDT at Sadler's Wells

There will be five London premieres, including the world premiere of a new work by Siobhan Davies, during the London Contemporary Dance Theatre's season at Sadler's Wells from November 18 to December 6.

Siobhan Davies' new dance, with a specially commissioned score from Michael Nyman, will be seen in a programme which includes Robert North's *Songs and Dances*, Richard Alston's *Rainbow Bandit*, and Tom Jobe's *Liquid Assets*.

The four London premieres are *Interrogations* and *Ceremony*, both by Robert Cohan, Siobhan Davies's *The Run to Earth* and Christopher Bannerman's *Unfolding Field*.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Oct 31-Nov 6

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still bettling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

Lend Me a Tenor (Globe): Ian Talbot leads the new cast in Ken Ludwig's fizzing comedy about backstage tribulations in Cleveland, Ohio, during a doomed 1932 tour of Verdi's Otello. A blight at the opera. (437 1592, CC 379 6433).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Magistrate (Lyttelton): Handsome National Theatre revival of Pinero's great farce with Nigel Hawthorne funny, but not blissfully so, as the discomfited police magistrate. A safe bet. (928 2252).

Kafka's Dick (Royal Court): Alan Bennett resurrects Kafka as a tortoise in the living room of a contemporary dogsbody researcher, an insurance clerk like his hero. Brave, strange and funny play about biography hinging, in part, on the enlarged matter of a small member. (730 1745/1857).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

When We Are Married (Whitehall): Impeccable, joyous revival of an English comic war-horse now with a new cast, but Bill Fraser returning as the tipsy Falstaffian photographer. (930 7765, 839 4455, CC 379 6565/6433).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

The Marriage of Betty & Boo (Arena): Christopher Durang's latest swipe at domestic life and marriage has an autobiographical air as it dissects three generations of a contemporary American family. James C. Nicola directs a cast headed by Casey Biggs, Donna Snow and Thomas Anthony Quinn. Ends Nov 22.

Whitbread time nears

Antony Thorncroft

The competition between the major book prizes is hotting up. For years the Booker reigned supreme, although the company paying for it all, Booker McConnell, was always slow in making capital from its sponsorship. Now Whitbread is proving a sturdy rival.

Last year it re-thought its strategy. It called its operation the Whitbread Book of the Year; increased its first prize to £17,500, ahead of the Booker, and staged the joust over two phases: in stage one the best novel, first novel, biography, children's book and poetry volume of the year was selected by judges, with each winner receiving £1,000, and then one of the five carried off the jackpot.

Last year, to general surprise but pleasure, it was the poetry contestant, Douglas Dunn, with *Elegies*. As a result sales of the poet's personal, moving, tribute to his dead wife spiralled to 20,000. Yesterday, the five semi-finalists were announced, and the poetry selection, *Stet* by Peter Reading, must be the outsider to carry off the "Big One."

The favourite—2/1 according to bookies William Hill—is the selected novel, *An Artist of the Floating World* by Kazuo Ishiguro, the 32-year-old Japanese born writer who has lived in the UK since the age of six —unlike the Booker, contestants for the Whitbread must be domiciled in the UK, or Eire, for at least five years. Ishiguro was an unsuccessful finalist for the Booker and it is noticeable that the winner of that award, *The Old Devils* by Kingsley Amis, was not even short-listed for the Whitbread.

The other category winners were *Continent* by Jim Crace (first novel), *The Coal House* by Andrew Taylor (children's novel) and *Gilbert White* by Richard Mabey (biography). The winner will be announced at a dinner in London on January 13 next year.

Saleroom

Phillips had a very successful sale of English drawings and watercolours on Monday, with many artist records. Maas, the London dealer, paid £63,800 for "Twilight fantasies," a watercolour by Edward Robert Hughes depicting a young girl raising elves from the woods with the aid of a horn. It was a record price for Hughes.

Also a record was the £55,000 paid by Leggatt Brothers for a view of Naples by Thomas Jones painted in 1782. Another topographical view to set a new high for the artist was an 1886 perspective of the Great Wall of China by William Simpson: it went to Hobhouse for £20,900.

A.T.

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Wednesday November 5 1986

PSBR targets can mislead

IN THE run-up to the British Chancellor's Autumn Statement, in which he gives a mid-term progress report on revenue receipts and expenditure trends, there is a growing stream of optimistic speculation about government revenue, together with reports of disagreements about policy among the Chancellor's advisers. This may look a little bizarre: in-fighting usually breaks out when things are going badly rather than when they are going well. On this occasion, however, it seems likely that it is precisely because the news is good that the arguments have broken out. High revenues will force the Chancellor to clarify a long-standing ambiguity about the Government's medium - term policy.

This puzzle surrounds the one target which has survived virtually unchanged from the medium term financial strategy as it was originally stated: the commitment to a steady reduction in public sector borrowing. This is a strategic objective which most governments now share, but it can be a disruptive guide to short term policy decisions. The difficulty—which the present Chancellor recognised in a thoughtful speech in Zurich as long ago as 1981—is that the level of borrowing is not determined only by government policy.

Largely forgotten

The buoyancy of the revenues also reflects the buoyancy of the economy, so that borrowing tends to rise when the economy is booming and fall when it is weak. A rigid rule which required the Government to deflate in a slump and stimulate in a boom would obviously be disruptive — a point explicitly grasped by the US Congress when it passed the Gramm-Rudman amendment. This is aimed at deficit reduction, but its rules are suspended when growth falls below a possibly over-ambitious trend level. The Chancellor too spoke of allowing for cyclical trends in choosing a path towards the objective.

This argument has largely been forgotten in British policy discussions for two reasons. First, the economy has been on a steady path of recovery, with only a weak cyclical divergence from the trend, ever since 1981. In addition, the PSBR commitment has not been particularly demanding under British accounting rules, which counts the proceeds of asset sales as revenue. Correspondingly, the markets have not been particularly impressed when the targets have been hit.

This year, however, the subject is important again. When the oil price collapsed at the beginning of the year, it was widely argued that the loss of revenue would preclude tax cuts; the Chancellor hinted as much when he explained in an interview with this newspaper that cheap oil would stimulate the economy just like a tax cut. Since then, however, the stimulus has proved disappointingly weak all over the world, while tax revenues from non-oil sources are reported to be very strong, and talk of tax cuts has revived. This is the subject which divides the Treasury advisers.

Strong reasons

There seem to us to be several strong reasons why the Chancellor should not be unduly influenced by the ebb and flow of revenues around their forecast trend. First, the fall in oil prices has indeed stimulated nominal demand, and has also weakened the current account, just as fiscal reflation might have done; the growth of demand has already far outpaced the response of output. Much of this demand is financed by the runaway growth of personal borrowing: the fact that this tends to enlarge tax revenues, and so reduce public-sector borrowing, is a valuable self-stabilising feature of the system, which should not be overridden.

In addition, revenues have been boosted by the growth of personal incomes, rising at a rate which the Chancellor has repeatedly deplored. It would be simply perverse to reward this behaviour with tax cuts, even if the Chancellor does not feel inclined to follow the example of a distant predecessor: Mr Roy Jenkins, faced with excessive wage rises, raised taxes and actually eliminated public borrowing for one memorable year. Finally, at a time when the markets are visibly restive about the vagueness of monetary and credit policy, they will not be impressed by a happy-go-lucky fiscal approach.

Risks around the Falklands

THERE WAS a revealing exchange in the House of Commons last week when Sir Geoffrey Howe, the British Foreign Secretary, announced the establishment of a new fisheries conservation and management zone within a 150-mile radius of the Falkland Islands.

Mr Eric Deakins, the Labour MP for Walthamstow, asked: "How can we avoid an escalation of this dispute into another cod war?"

Sir Geoffrey replied: "By a sensible response on the part of the Argentine Government. If they were willing to respond to the moves that we have been pressing ahead with for some months and agreed to the establishment of a multilateral zone, which we regard as far preferable, there would be no question of such a risk arising."

Argentine policy

Yet the entire basis of Argentine policy to the Falklands over the years has been that it is not what Sir Geoffrey and his colleagues would call "sensible." We are now asked to believe that sense will emerge in Buenos Aires as a result of a British threat to use force, and possibly even the use of it.

For as Sir Geoffrey also said last week, and Mrs Thatcher seemed to underline in the House of Commons yesterday: "It is open to Her Majesty's Government to use armed forces in appropriate circumstances in the waters around the Falkland Islands, as well as in waters elsewhere within our jurisdiction."

There is an immediate question about how far such force is available. The waters around the Falkland Islands are vast. It will be exceedingly difficult to police them effectively. There is also the point that if conflict comes, it may not necessarily be with Argentine vessels. It could be with the Bulgarians or the Russians, with whom Argentina has concluded bilateral fisheries agreements. And there is the further thought that even if Britain does have the resources to defend such an area of the South Atlantic in the interests of fish conservation, is this the best way to deploy them? Surely they would be more useful closer to home.

The main question, however, is whether this is the best way to seek a settlement of the Falklands dispute. True, there are a great many faults on Argentina's side. It did, after all, invade the Falklands in the first place. Even under the democratic government of President Alfonsin, it refuses formally to end the state of hostilities and seeks talks only on the basis of sovereignty. As for fishing, it could have been more co-operative towards the study of the resources in the region launched by the Food and Agriculture Organisation. Its bilateral agreements with Bulgaria and the Soviet Union would be quite possibly declared illegal under international law.

Yet the question still comes back to Britain: is the declaration of the zone likely to make Argentina more "sensible" in the British Government's definition of the word? The answer is almost certainly "no." Already some of the first results of the action are becoming apparent. Latin America is putting on a show of solidarity. President Garcia of Peru has been in Buenos Aires declaring his support for the Argentine position. Brazil and Uruguay have joined the Argentines in calling for a special meeting of the foreign ministers of the Organisation of American States, which incidentally includes the US. Washington was very helpful to Britain during the Falklands War in 1982, but it can hardly welcome another Anglo-Latin American dispute—in which the US is inevitably pulled in both directions—purely over fishing rights.

Seeking support

Some of the Europeans are none too happy either. France ceased to support Britain when Argentina's annual resolution on the Falklands came up at the UN last year. The resolution, probably stronger this time, is due again shortly. An Argentine minister, Mr Jorge Sabato, is in Europe now seeking support. Other countries could follow the French.

For Britain it is becoming rather lonely. An offer of direct and unconditional talks with Buenos Aires would not come amiss.

Britain's poverty line lengthens

By Robin Pauley

CHELSEA, former home of Mrs Thatcher and presently the area of Britain with the fastest rising house prices, is widely regarded as one of Europe's better-heeled corners. Its supermarkets match its prosperous image with extravagant delicatessen counters and a choice of pink champagnes. Yet these same Waitrose and Safeway stores in the King's Road have elderly customers on any day picking anxiously over the cheapest chops.

After much deliberation the chop is quietly put back and replaced with bacon. This particular old lady, neat and independent in a coat which has obviously seen many a winter, is not destitute and may not live in extreme poverty. But she is clearly poor. Britain's poor live everywhere, not just under the spotlit squalor of the most depressed and derelict parts of the inner cities. And the signs are that, as prosperity grows for a large part of the working population, life is not getting any easier for the poor, who are mainly but not exclusively the non-working community and their dependants.

Since the major world recession of 1981-82 the subject of poverty has slowly come to the fore in some countries and in Britain, for example, all the main political parties are now gearing up their anti-poverty policies as the issue seems certain to be centre stage in the next General Election.

Each party is trying to find new policies for a new attack on the problems which afflict the poor but they have as their common theme the redistribution of income and changes to the tax and/or benefit systems. The problem in Britain is low incomes in and out of work and prescriptions range from the Alliance plan to integrate tax and benefits to give higher net income to the poor, through Labour support for a minimum wage to raise the incomes of the low-paid, to Conservative plans to reduce the taxation burden and to take more poor people right out of tax. Similar policies are under review throughout Europe as states converge in their view that poverty is a problem in society which requires some degree of central policy to aid its alleviation.

Until recently poverty has been of little interest to policy and opinion formers throughout Europe. An EEC study in the late 1970s showed that only in Italy did the majority of the public feel there were people living in misery in their village, district or town.

The various forms of welfare state had been generally assumed to be adequate. But while the welfare state safety net protects most people from extreme poverty the poor and very poor appear to be trapped —in Britain at least—in a world which denies them any advance towards a level of prosperity where bills would not be a nightmare, outings a dream and plentiful food and heat a luxury.

It is important to try to define poverty. It is often confused with factors which have more to do with income inequality rather than the absence of enough income. The EEC definition of people "beset by poverty" is that their resources are so small as to exclude them from the minimum acceptable way of life of the member state in which they live. "Resources" are goods, cash, income and services from public and private sources.

This point that poverty is relative deprivation — relative to the standards enjoyed by the nation generally — is also made by Prof Peter Townsend, Professor of Social Policy at Bristol University: "The fact that individuals and families have relatively poor resources does not automatically mean that they are in a poverty situation. They are only in a poverty situation if their shortage of resources means that they are unable to have the types of food, take part in the activities and enjoy the standard of living usually found in the society in question."

Of course, even these definitions are liable to a wide range of subjective interpretation. Is an annual holiday of some kind a pre-requisite for a "usual standard of living"? How often should it be possible to buy a new winter coat?

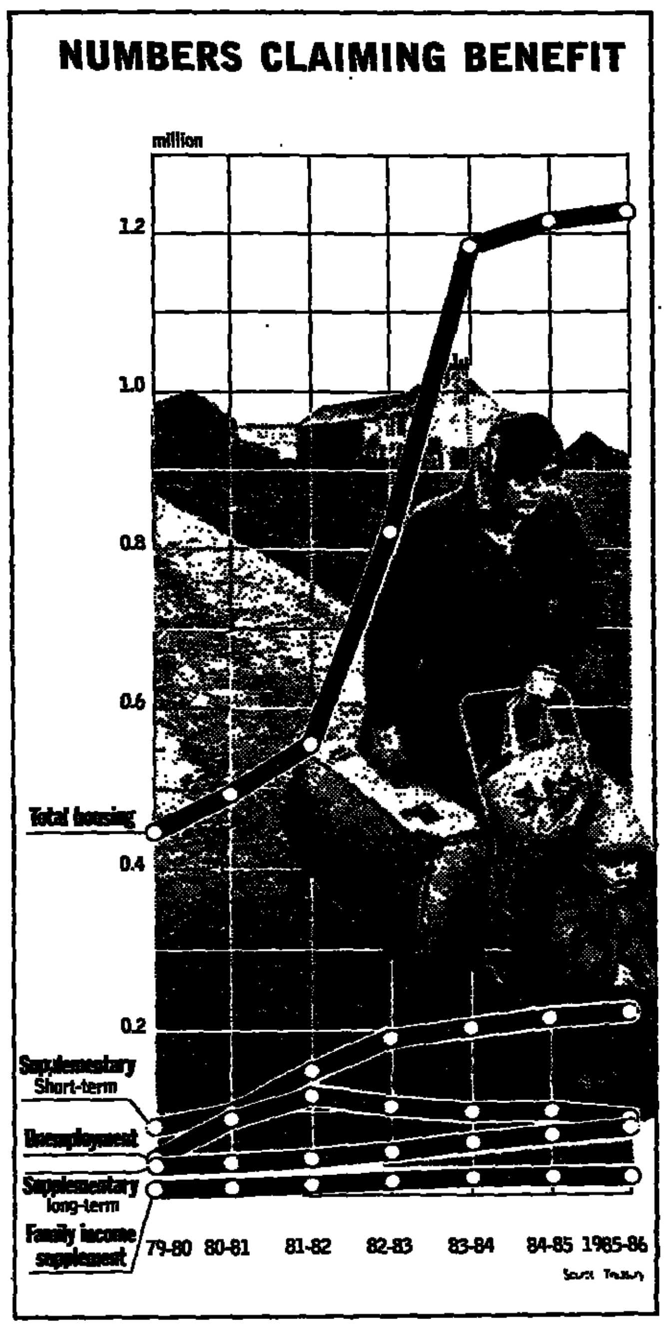
In Britain the Government's official definition of the poverty line has traditionally been income so low that it qualifies for supplementary benefit payments. This is a de facto admission that the income alone is too low for subsistence.

This is underlined by the fact that the average original income—before tax and benefits—of the poorest 20 per cent of householders is almost non-existent—£110 a year in 1984, to be precise. So the bottom fifth (5m homes with an average 2.7 people) got only ½ per cent of the nation's total household income (while the top fifth got more than half). Even after benefits and tax the bottom 20 per cent had an average of only £3,250 a year to spend.

This is above the poverty line, which is set at a very low level of income. The current official assessment of the minimum needed to live, excluding help with housing costs, is £29.80 a week for a single person and £48.40 for a couple. These figures rise to £37.90 and £60.65 for people needing income support for longer than a year. Families with children receive extra help plus £7.10 a week child benefit for each child.

Yet millions fall below this. DHSS figures show that in 1979 there were 6m people in poverty according to this official designation; by 1983 it had risen to 8.8m, of whom 5.9m were in families. The latest estimates by the House of Commons statistical section put the figure at 11.7m, close to the Child Poverty Action Group's own calculation of 11m.

Within these figures the unemployed and their families fare very poorly, with about 85 per cent living below or on the poverty line. But there is a substantial amount of poverty among the working population where low pay if often below the supplementary benefit line. The definition of low pay used by the Trades Union Congress, for example, is two-thirds of average male earnings — £117.78 a week; the supplementary benefit level for a family with two children is £123.61. Between 1979 and 1983 the number of people in work but being paid below the poverty-line level rose by 45 per cent.



Yet since the Thatcher Government came to office in 1979 many welfare benefits have more than kept pace with general inflation and have been increased in real terms. This should mean that incidence of poverty and financial stress should have been receding rather than swelling.

But there are different types of inflation which affect different income groups in different ways. The price index for the poorest households has risen faster than for the richest because people on low incomes spend a higher proportion of their money on basics like food and fuel, prices for both of which have risen faster than for other items since 1979, and although fuel prices have been restrained this year the gain has not been nearly enough to make up the loss of the previous six years.

The index which measures inflation according to the spending pattern of pensioners similarly rose by about 4 per cent more than the official retail price index between the beginning of 1979 and the end of 1985.

There are also different types of poverty, each of which tends to work in a way which keeps people poor and keeps poverty in families, poor children often becoming poor adults: housing poverty; fuel poverty which means that the old, especially, cannot afford to keep their homes properly heated in winter; education poverty — children from impoverished families often ending up in poor schools and achieving badly.

While the poor have been suffering from the impact of the various inflation measures which affect them most, average real earnings have risen sharply: a married couple with two children on average earnings have had a 16 per cent real rise in take-home pay between 1979 and 1986. This represents a widening inequality between the incomes of the poor and the middle and rich income groups. But because the poor are so low it also represents a sharp increase in relative poverty.

Another way of looking at the same problem is provided by an analysis by the Child Poverty Action Group, one of the most respected and statistically careful of the poverty lobbies. This shows supplementary benefit for a married couple with two young children falling from 46 per cent of Britain's average net income in 1978 to 43 per cent now, with corresponding falls in the long-term rate.

The most recent Family Expenditure Survey shows that this means: in 1984, 56 per cent of couples on benefit with children were running out of money, to the last halfpenny, part-way through each week. Perhaps logically, the same proportion were in debt and 70 per cent had experienced a period of "real financial anxiety."

The State retirement pension paid to 9m people has also fallen in relation to earnings although it has risen in real terms it has gone up from £31.20 in 1978 to £61.95 in 1986 but over the same period has dropped from 45 per cent of average net income to 41 per cent. A third of Britain's 9m pensioners live on or below the poverty line. In fact, pensioners reliant only on the State pension are — relatively — worse off than their predecessors in early Victorian times. Research by the Centre for Policy on Ageing shows that Poor Law payments to old people in the 1830s represented two-thirds and more of the income of younger people.

Britain is not alone in facing this substantial poverty problem, although the present Government's strong antipathy to welfarism produces a different tone from the concern frequently expressed in other European capitals. Three days before Christmas 1983 Dr David Owen, leader of the Social Democratic Party, asked Mrs Thatcher whether she was aware that 15m people in Britain would be living at or below the poverty line at Christmas. Mrs Thatcher disputed the definition of poverty and ended the exchange by saying: "The fact remains that people who are living in need are fully and properly provided for."

A more starkly stated version of this view of relative poverty came from Dr Rhodes Boyson who, as Social Security Minister in 1984, told the Commons: "Those on the poverty line in the US earn more than 50 times the average income of someone in India. That is what relative poverty is all about."

Two centuries earlier Adam Smith, the free market economist so popular with Mrs Thatcher, took a quite different line, accepting relative poverty in the sense it is generally understood now: "By necessaries, I understand not only commodities which are indispensably necessary for the support of life but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."

All European countries have absolute poverty just as they all have a group which falls right off society's bottom rung — vagrants in Stuttgart, down-and-outs in Copenhagen — but they also have widespread relative poverty where people feel poor, cannot make ends meet or feel deprived of items they regard as necessary for a proper and acceptable life in their communities.

The EEC survey recorded that one European in four considered his income to be below the necessary minimum. The figures ranged from 20 per cent in Germany, Holland and Denmark to 40 per cent in Italy and Ireland.

Since the 1979 election the relative position of the poor has worsened as Britain has prospered alongside other flourishing European nations. The result has been to heighten public awareness of the plight of the poor to the extent that they have become a potential political force and that there is general acceptance among the political parties that policies must be found to change the situation.

Some argue for a national minimum wage top to provide an income level well above the poverty line—£80 a week is the TUC and Labour Party target. Others argue for higher pensions, higher child benefit and radical reform of the tax and benefit systems to ensure that the poor have a higher level of benefits and that, if and when they find work, their benefits are not suddenly withdrawn at a dramatic rate, leaving them virtually no better off. The SDP-Liberal Alliance has done the most work to find a way of reforming the complex tax and benefit systems and their plans, which still need substantial refining, will be a central plank of their election manifesto.

The problems with both these approaches is that they would either be very costly or would involve a large number of losers, starting at relatively low level on the income scale.

The Government opted not to use its Social Security Bill to tackle poverty and so has not made radical changes to the way in which the tax and benefit systems interact. It is concerned that people should be motivated to help themselves but accepts that those on low incomes should be able to keep more of their cash. Its central aim remains to lift the very poor out of tax and to cut the basic rate of tax to 25p, compared with 29p now and 33p when they took office.

The Child Poverty Action group says the worsening poverty while the Government has been pursuing these policies "underlines the folly of a strategy which gives priority to reducing further the standard rate of tax at the expense of expenditure programmes which could help the poor."

What is clear is that the General Election could be the first in decades in which any political party offering no poverty policy will do so at its peril.

Men and Matters

No security for Agnew

Jonathan Agnew, chief executive of the International Securities Regulatory Organisation, may have done his job of wringing concessions out of the Government and the Stock Exchange too well. If the Stock Exchange agrees to merge with ISRO later this month, as seems likely, he will be out of a job.

This is not because the merged body, the Securities Association, would be unable to find Agnew a new role. Andrew Large, its likely chairman, says he would be delighted if he decided to stay on. But Agnew, an independent character with a taste for a political tussle, admits he would not be comfortable as part of a large bureaucracy. Things were different when ISRO was a tiny organisation fighting its battles against the establishment.

Agnew says he has no regrets. He knew ISRO and the Stock Exchange might merge, when he was hired as chief executive earlier this year, and only planned to do the job for a 12 to 18 month period. He has no firm plans, though, about what to do next.

Learning curve

On my desk is a glossy annual report with the usual sprinkling of colour photographs, tables, analyses, and "pie-charts," one expects to see these days from a thrusting company.

The difference is that this is the report of Professor Raoul Franklin, vice-chancellor of London's City University to his court.

Living in the middle of the Square Mile's financial revolution, the City University has clearly picked up a few tricks from its neighbours, and has a few of its own to show.

The university will be mounting courses for the new stock exchange examinations following Big Bang. That and other links with the financial sector and industry means that the university is now getting 53 per cent of its funds from private sector sources.

Franklin adds a dismal rider however. All the hard-won income and expenditure accounts improvements are likely to be swept away in just one year, he says, by the reduction in the University Grants Committee contribution in the current financial year.

After making a profit of £800,000 last year the dons expect academic life amid the market-makers to become increasingly difficult.

Liverpool green

Cultures are clashing up in Knowsley North as the heavyweights of the political parties gather in the Merseyside constituency for the by-election caused by the resignation of Robert Kilroy-Silk, heading for more peaceful and profitable pastures in television.

Labour MPs have been pouring in to defend the party's majority — no less than 20 were scouring the sprawling Kirkby housing estates on one day this week. Neil Kinnock, Labour's leader, makes his visit tomorrow.

But some of the outsiders have been finding local Lancashire customs a little strange. Jack Straw, the go-ahead Labour MP for Blackburn, was accompanied on his rounds by his recently-appointed American research assistant.

During a hard day's campaigning, they stopped for sustenance at a fish and chip shop where many of the other customers were tucking into plates full of a local speciality—meat pie and mushy peas, a dish common throughout the north and probably a key element in the theories about northern eating habits held by Edwina Currie, the junior health minister.

Straw's assistant bravely ordered a portion. Then, still puzzled by the mushy peas, asked: "The green stuff with the pie—is it avocado?" Food for thought for the voters.

Back-biting

George Howarth, the Labour candidate, meanwhile, is lying in a Liverpool hospital after a sneeze aggravated an old back injury, compressing two vertebrae and putting his back into spasm.

"George said he would have to watch his back," Jack Straw commented. "I assured him we were all behind him, but I did not realise he was speaking literally."

Howarth expects to be back on his feet soon—and his Tory opponent, Roger Brown, sent a gentlemanly message of good wishes. The Liberal candidate, Rosemary Cooper was rather more feline.

She has been trying to exploit Howarth's differences with his local party, and observed: "There is a view that the only way he can protect his back is by lying on its."

And, responding to complaints that Liberal revellers had flung a dead cat into the garden of a Labour supporter, Cooper sent Howarth a present to cheer him up—a book entitled "101 Things To Do With a Dead Cat."

Boston bound

Putnam, one of the oldest and, with $28.5bn funds, largest US investment management groups, has turned to the UK to find a new chief international investment officer.

Tony Regan, 47, deputy managing director and head of the pension management department at stockbrokers, Fielding Newson Smith—part of County Securities, a division of NatWest Investment Bank—takes up the Boston-based post next month.

Regan will be responsible for all of Putnam's international investment, involving $1.5bn, about half as much as the pension investments he managed at Fielding. But he has spent most of his time recently in general management, preparing for Big Bang.

Before joining Fielding in 1984, he was chief international investment officer for Citibank, building its international operations from $1.5bn to more than $6bn in six years.

Regan will have to build a new team to cover the international markets for Putnam. Members of the old team quit recently to do their own thing.

Free computers

In the fast-moving, fast-trading micro computer world it has become usual for makers to throw in a package of software with every machine sold. It is rather like a motor manufacturer putting an engine into each car as a "free gift."

But now, a new appraisal of the relative values of computers and software, made by Taxsoft, a supplier of taxation software, reverses the traditional trading system.

Taxsoft, during the Accountants Exhibition at the Barbican, London, this week, is offering a free Amstrad computer, worth £750, for every £3,500 software package sold.

Throwaway line

Scouse comedians start young. An eight-year-old urchin watching visiting politicians canvassing passers-by at the foot of a Knowsley tower block was asked by a policeman: "Did you vandalise that window up there on the 16th floor?"

"Don't be daft," the youngster retorted. "I'm not big enough to throw anything that far yet."

Observer

The Turkish economy

Much more fragile than the West may think

By Alan Friedman and David Barchard

SUDDENLY—and with as little warning as the winds which blow in and across the Bosporus from the distant Balkans—Turkey faces a time of uncertainty, both politically and economically.

Politically, the free-market oriented Government of Prime Minister Turgut Ozal, in office since late 1983, is facing a major challenge from Mr Suleyman Demirel, the former Prime Minister who was deposed by the military coup of 1980. Although Mr Demirel is under a constitutional ban which prevents him from standing for office before 1992, his supporters in the centre-right True Path Party (TPP) made important electoral gains in September's key by-elections. The free-spending Mr Demirel, whose inflationary policies frighten businessmen and bankers, has thus staged a political comeback which puts a question mark on the future of Prime Minister Ozal, who must call general elections by the autumn of 1988. The ban on Mr Demirel's political activities could well be lifted before then.

Meanwhile, the Turkish economy, one of the International Monetary Fund's favourite success stories, is riddled with indicators which give rise to concern. The Ozal Government's economic stabilisation programme and its attempt to steer the country toward a more modern and internationally-minded business environment have been comparatively successful after the crisis years of the early 1980s. But there are still serious problems, such as a lack of co-ordination on foreign debt; continuing large bad debts in the banking system; punitively high interest rates which are costing prime corporate borrowers up to 80 per cent for loans; a money supply which is growing at an annual rate of more than 40 per cent; inflation which shows no signs of dropping soon below its 1986 level of 30 to 35 per cent and a jump in both public spending and the budget deficit which goes against Ankara's so-called austerity programme. There is limited room for manoeuvre for the country's economic planners, partly because of the unclear political outlook.

It would be unfair to overstate the nature of the storm clouds now gathering over Turkey—they are cause for concern, not alarm. All the same, the most recent reports by the Organisation for Economic Co-operation and Development (OECD) and other international organisations appear a little too satisfied with the state of affairs in Asia Minor. Perhaps the foreign analysts who monitor the country are still living with the memory of the bad old days of a few years ago.

They were truly bad old days: six years ago, when Turkey's powerful military took control of the Government, marauding gangs of terrorists were killing more than a dozen people a day in the streets of Istanbul and other cities. There were terrible shortages of water, electricity and basic raw materials and consumer goods. Inflation was in three figures, amid a foreign debt crisis as perilous for Turkey as was the Mexican situation in 1982.

Turkey's 50m inhabitants are much better off today. The country's US$51bn gross national product, which in relative terms is one-sixth the size of Italy's, is growing at an annual rate of 6 per cent. Foreign banks have entered the Turkish market in force so that today they represent nearly half of the country's 54 institutions.

A recent report by Amnesty International put the number of political prisoners at 15,000 and spoke of continued widespread practices of torture. But, compared with a few years ago, the human rights record is improved.

Since 1980, Mr Ozal has launched a succession of reforms aimed at making Turkey a market-oriented economy and part of the Western financial system. He has abolished the subsidies which distorted the pricing structure and has encouraged industry to shift towards exports and away from import-substitution. He has welcomed foreign investors and introduced positive interest rates and reformed the banking system, creating an interbank market, a new stock market and a uniform accounting system for banks, as well as overhauling the tax system and updating most legislation affecting the economy.

These reforms, while good for the economy have not been of much benefit to Turkey's working class, which is less interested in macroeconomic policy than in the promise of money in the pocket from Mr Demirel.

Mr Ozal's Motherland Party, although created with the blessing of the military which vetoed several other parties (including Mr Demirel's) in the run-up to the 1983 general election, is thus a modernising force in Turkey.

What then are the uncertainties looming on the horizon of this country at the crossroads of Europe and Asia? Consider the following: while Turkey is making around $4bn of principal and interest payments on its $25bn foreign debt burden (a debt service charge equal to 51 per cent of export receipts), the Ankara Government is taking on fresh short-term debt without any central co-ordination. Unlike Mexico, which has a director of external debt, Turkey has no such office. The result is that ministers are funnelling project finance deals through and new short-term borrowing without anyone at the central bank of treasury co-ordinating the counter-productive impact of such deals.

The country's economic austerity programme does not look like one: public spending ran further out of control in the first six months of this year, largely because of vast over-spending by local authorities which was not co-ordinated with the central government. Istanbul, for example, was spending 50 per cent more than planned.

At this stage the Government's 1987 target of 20 per cent inflation does not look achievable. The official inflation figure of 25 per cent is not believed by leading bankers and businessmen, who put it 10 points higher.

Many average Turkish voters seem convinced that they have not benefited from the Ozal reforms. In the recent elections Mr Demirel, who is Mr Ozal's main rival for the centre-right vote (the Left is fragmented in Turkey and not electorally credible at present), doubled his party's share and pushed the Social Democrats into third place for the first time.

While the business community still sees Mr Ozal as Turkey's best bet, two questions remain to be resolved. First, can he hold together the Motherland Party, a fragile coalition itself, in the face of hard times? Second, will he be forced to answer Mr Demirel's fiery political rhetoric with spending policies which compromise his own modest progress?

If Mr Demirel comes to power, he will have created high expectations among the voters of a jump in their living standards, with a "more money in your pocket" campaign technique.

If Mr Ozal is to regain the initiative, he will have to spring a surprise. He may find that foreign policy is one promising area for this. But there are few options.

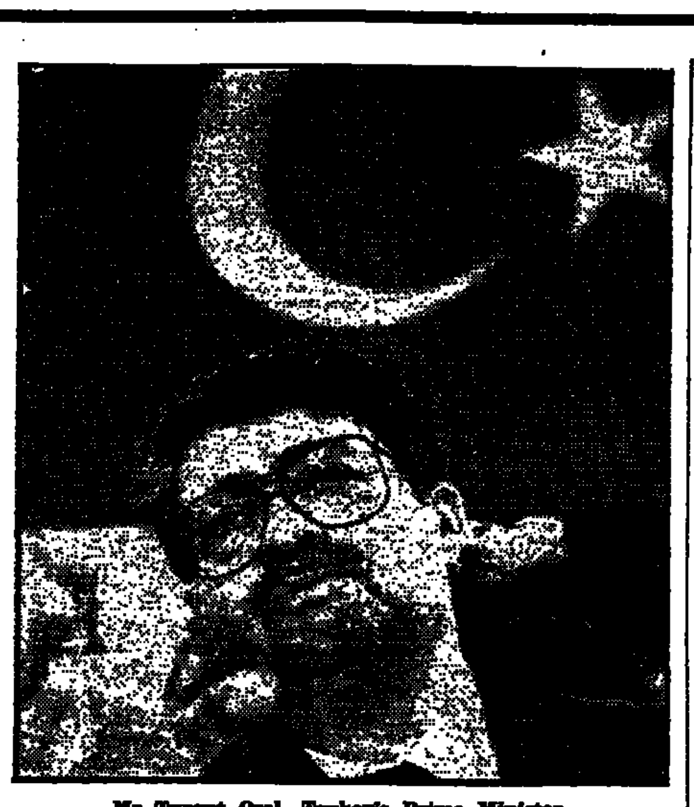
Obtaining more US aid under the bilateral defence and economic co-operation agreement (Deca) would be one route to domestic success. However, the Gramm-Rudman budget cutting law has caused Turkey's 1987 Deca package to be sliced by nearly half to $490m.

Turkey's rising generation of US-educated technocrats, some of them able men who are close advisers to Mr Ozal, believes that joining the Euopean Community would be one way of solidifying ties with the West and strengthening the hand of the modernisers. But Brussels has told Ankara, in effect, not to think seriously that it might join the EEC before the end of the century.

"We don't want an Islamic fundamentalism here and right now that is not a danger. But if Washington cuts our aid and Brussels tells us to go away, then the Islamic fundamentalists will increase their influence," warns one senior government aide.

Washington and Brussels could play a role in underpinning the liberalising and westernising currents in Turkey. But Turkey is too remote from the thoughts of most Reagan Administration or EEC officials.

The few top government officials in Ankara and Istanbul who recognise the dangers find themselves increasingly boxed in. Their calls for attention from the US and the EEC sound almost like cries for help.



Mr Turgut Ozal, Turkey's Prime Minister.

Financial services

Now for Europe's bigger bang

By Olivier Pastre

OVER A week has now passed since the Big Bang, and certain of our more pessimistic observers on the Continent seem surprised to see that the City still exists. Financial professionals on the Continent are now carefully watching for the havoc that this event is going to play in their home markets. But even if this reform of the London Stock Exchange costs continental bankers and brokers some share of their national markets we can only rejoice in the fact that, thanks to it, Europe is going to continue to be the pivot of the international financial system.

But the real Big Bang may not be the one which took place in London the other day. The true Big Bang may yet be produced in Brussels, in a year or two. The fuse for this explosion could be a small document published by the European Commission in June 1985 entitled "White Paper on the internal market." This text signals a potential cultural revolution in the European financial sector. Up to now the EEC has tried, sometimes with dubious success, to persuade member countries to bring into alignment their financial legislation. However, from now on alignment is no longer the name of the game; instead, it is "freedom to provide services."

Each financial intermediary will be able to freely export his products all over Europe as long as he respects the regulations of his own country (not necessarily those of the importing country). This means that building societies will be able freely to export their mortgage loans to all the countries in the Community (and especially to those countries where retired Britons love to settle) while German insurance companies and French mutual funds will be able to export their products to Britain. What we are talking about is a true Copernican revolution. And those who are counting on the Community's bureaucracy to slow down this process are out of luck: The Commission has set 1992 as a deadline for the complete unification of the European financial services market.

Faced with this new challenge, certain countries may be tempted to say, "Why Europe?" After all, the real competitive arena for financial services is no longer Europe, but the world. This reasoning, which a lot of European financial intermediaries have adopted (and not just those in London) is incomplete. Certainly, real competition is on a worldwide scale. But just as this movement toward the financial integration of Europe on an institutional level is getting off the ground, it would be absurd and dangerous for any European country not to take as much advantage of it as it can. If we do not, the main risk is that a unified European market might principally benefit American and Japanese banks. If we apply the principle of the "freedom to provide services," then these banks would only have to set up in the least regulated EEC country and from there export all over Europe.

But the problem here is not just to minimise the risks to us; it is also to maximise the advantages. European financial integration could accelerate the process of aligning the financial regulations in the different member countries. (There must be at least minimal harmonisation so that the "freedom to provide services" does not penalise those countries that are the most regulated).

European financial integration could also reinforce, indirectly, the EMS. (The development of the ECU and the stability of exchange rates are two factors in the development of free trade in services. It could strengthen the weight of Europe in future international monetary and financial negotiations (especially the new round of Gatt negotiations in which for the first time financial services will be broached).

But recognising that we have to work through Brussels to bring about this a free market movement of unprecedented scope does not mean accepting as perfect the methods adopted by the EEC. In order to make the concept of European unification more realistic and therefore easier to implement, three conditions have to be met. We must:

1—Rapidly tackle all the financial products involved in this unification, not just the mortgage loans and insurance products that are being used today as a sort of test. Member countries have different advantages as far as financial products are concerned and they will not all be interested in the same thing in a Community negotiation over financial services.

2—Modernise thinking on the concept of "Community Preference." This concept, as it stands, is inapplicable as far as financial services are concerned. If we accept that European operators should be favoured then this must be built around new concepts.

3—Give greater weight to an economic approach to the problems. When the priority was to align the regulations in the different member countries. It was normal to take a jurist's approach. Now that the problem is posed in terms of competition, it is the economists' turn to speak.

If the EEC updates its methods of intervening in this area as it has done in other areas in the past, and if the main countries concerned play the game of European co-operation (within a perspective, of course, that is worldwide) then the Big Bang in London will spread over the Continent in a series of bangs, big and little, which will contribute to making Europe once again the financial centre (and not just the main bourse) of the world.

The author wrote a report for the French Treasury on the modernisation of the French banking system. He heads the advisory committee for an EEC colloquium on the future of financial services, now in session in Brussels.

Letters to the Editor

Dissatisfied actuaries

From Mr E. Smyth

Sir,—Lex (October 29) glosses neatly over a number of issues regarding pension surpluses, not least that Imperial's downfall (and that of other corporate victims) may in part have been assisted by a history of pension over-funding. The responsibilities of the trustees and their actuarial adviser in this debacle is, however, more a subject for shareholders of Imperial to consider and reflect upon. Has the actuarial establishment in the UK served its clientele as well as it might?

Lex, rather coolly, implies that actuaries are satisfied that the fund transferred is funded to the hilt. I can assure him that as far as transfers from Imperial or Hanson are concerned some actuaries are far from satisfied that the transfer sum is even appropriate let alone funded to the hilt.

Let me illustrate. The Imperial actuary argues that it is not appropriate to transfer the reserve accumulated in respect of death-in-service family income benefits. The trustees' funding policy has ensured that no such reserves exist in the fund. A good point as far as it goes — however, the trustees' funding policy has also resulted in the accumulation of significant surplus assets. Given that the trustees' funding policy is to be determinant in transfer values then the logic should be followed right through — not just when it suits.

What the Courage protesters deserve is more than sympathy — it is called money. And it's called their share of the surplus. The surplus created by trustees acting on their behalf whose policies have helped grease the skids leading to Elders' cellar.

Eugene Smyth.
77-81 New Oxford St, WC1

Transport policy

From Mr W. Bradshaw

Sir,—David Sawers' letter (October 30), in response to your leading article about subsidies to suburban rail travel betrays by its very complication the problems into which the pursuit of economic purity has led this country's transport policy.

Roads in and around London are increasingly congested. Railways have spare track capacity. The marginal cost of making rail travel more comfortable would be small and would certainly attract travellers away from roads. This self evident truth is recognised in most other European capitals.

Instead in Britain we choose to subsidise company financed cars, on-street parking and cars, commuter buses and force rail-ways to reduce services and raise fares in real terms. On Fridays, when roads are particularly congested, rail fares are raised to even higher levels. This is the logic of the market place.

To say, as Mr Sawers does, that these problems need to wait for their solution until electronics makes road pricing a reality, totally fails to recognise that there is a problem here and now which can be solved at no additional expense to the Exchequer. Transfer of a small proportion of the subsidy enjoyed by favoured classes of road user, to making the railways more attractive, would do the trick. Economic analysis can wait — London cannot!

W. P. Bradshaw.
Wolfson College, Oxford.

Indemnity cost

From Mr M. Nathan.

Sir,—Re the AE-Turner and Newall affair, you state (October 29) that the indemnity cost Hill Samuel about £4m. It would be interesting to know how this benefits the shareholders of the Hill Samuel Group, for after all the directors have a fiduciary relationship to their shareholders.

M. R. Nathan,
Howard Tilly and Co, 1 New Oxford Street, WC1.

Production management

From Mr A. Tessler

Sir,—In his penetrating analysis of our exchange rate problems (October 30) Samuel Brittan points to a vital factor affecting our future prosperity: British industry's ability to cope with the rising demand and investment. "If only industry could cope," he says.

Unfortunately British industry cannot cope, for the simple reason that production management is by far the weakest link in our management structure. A recent survey indicated that 61 per cent of firms could export more if only they could get the output from the factories. As before; during 1968's upsurge in demand, imports rose by 13 per cent—mainly because UK manufacturing output rose by only 1 per cent. In 1979, with an even bigger boost to demand (the "Healey boom") imports rose by 19 per cent; again, because UK output rose by only some 1 per cent.

The exchange rate is, of course, of critical importance but production management must also be a vital concern. This is what the CBI should concentrate all its influence and ingenuity on. For without more effective production techniques our industrial future cannot be assured . . . at almost any rate of exchange.

Andrew Tessler.
Silverwood, Park Copse, Dorking, Surrey.

The City and the economy

From Mr D. Damant

Sir,—I was extremely sorry to see the letters from Mr Pearce and Mr Cooke (October 28). Both claim that investors in the City of London take short-term views, which is entirely unsupported by the evidence: as so often, one can only suspect that Mr Pearce and Mr Cooke are relying simply on anecdotal impressions.

The savings industry in this country is exceptionally well developed and large pools of money are available for investment with very long-term horizons. This money is matched to the investment opportunities in the markets, mainly through the Stock Exchange. If only short-term opportunities were sought, the long-term opportunities would be quite exceptionally attractive on a discounted cash flow basis; but these opportunities are in fact correctly priced, as is demonstrated by the fact that many shares stand on very high price/earnings ratios: this can only be explained on the basis that investors are looking to future streams of money, sometimes very distant, to compensate them for the currently low returns. Shares in Laura Ashley have a p/e ratio of 32 and yield of 1.4 per cent. The scientific evidence for this efficient pricing is overwhelming; there is no contrary hypothesis of any standing.

This efficient matching of savings with investment opportunities is less well developed in many other countries. Yet, far from being satisfied with that state of affairs, as Mr Pearce suggests, more and more countries around the world are developing their Stock Exchanges, encouraging a market for risk capital, and moving over to a system of accounting which reflects a concentration on return to shareholders instead of the old creditor-orientated approach. It is unlikely that these trends in other countries would be so marked were not the financial markets in such places as London and New York seen as an aid to industry rather than the contrary. There may be many reasons for the relative decline of the British economy, but an efficient and liquid capital market is not one of them.

The line of thought put forward by your two correspondents is nevertheless alarming, especially bearing in mind the fact that Mr Pearce holds an official position as a member of the European Parliament. To take only two aspects of the matter: if it is generally held that the markets take short-term views industries may themselves begin to take short-term views and that would certainly have an effect in the real economy.

There is secondly a more general danger. I would argue that one of the reasons for the decline of the British economy is a failure to give sufficient priority to the fact that economic success depends upon the efficient use of capital, that is, a market for capital which rewards higher risk with higher return. It is this financial discipline which enables an economy to use scarce resources as usefully as possible. When this principle is not followed, wealth is consumed rather than created. If as a result of the attitude shown by Mr Pearce and Mr Cooke the capital markets are seen as hostile forces then the necessary financial disciplines are also being denied. If such an attitude were to become general there would certainly be no chance of pulling up the rate of growth in the UK.

D. C. Damant.
Quilter Goodison Company, 31-45 Gresham Street, EC2.

Future fossil fuel prices

From Mr P. Watts

Sir,—Mr McCloskey as reported by Max Wilkinson (October 29) considers that "it is not good enough" for the Central Electricity Generating Board to use a high set of coal prices when justifying its proposal for a pressurised water reactor at Sizewell and a low set when illustrating the attractiveness of coal imports. There is a simple explanation for this. The estimate of coal prices for the Sizewell inquiry was made in 1981, five years before the CEGB's evidence on coal imports. During this period, as Mr McCloskey will know, there were significant changes in the fossil fuel markets and in fact the CEGB signalled this to the inquiry in 1984.

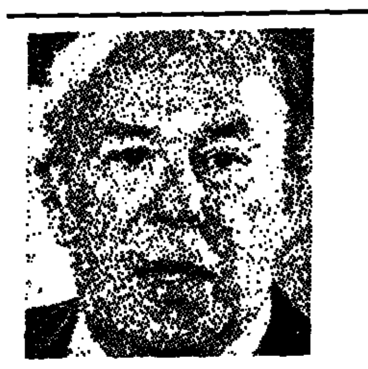
Thereafter the inquiry inspector requested from the independent Cambridge Energy Research Group comparisons between Sizewell B and a new coal station on a number of very low assumptions about future fossil fuel prices. In all cases Sizewell B was more economic than a coal station, including a case at the bottom of the range for coal prices quoted by Mr McCloskey in respect of imports.

P. Watts,
(Economic Adviser),
CEGB.
15 Newgate Street, EC1.

FINANCIAL TIMES

Wednesday November 5 1986

Putting arms talks back on the rails



Robert Mauthner in Vienna explains the background to the talks between Mr George Shultz (left), the US Secretary of State and Mr Eduard Shevardnadze, his Soviet counterpart

ONE OF the best things to have happened to the Helsinki Agreement review conference in Vienna, which started yesterday, is that it is taking place in the immediate aftermath of last month's summit between US President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

If it were not for the fact that Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet opposite number, are meeting on the sidelines to try to put the nuclear arms talks on the rails again, public interest in the Vienna meeting might be hard to sustain.

Yet no one can doubt that the subject matter of the so-called Helsinki process is of the utmost importance. It covers a wide range of areas for East-West co-operation, from military confidence-building measures, human rights and contacts, and the free exchange of information to economic, scientific and technological co-operation.

Although the clumsily named Final Act of the Conference on Security and Co-Operation in Europe (CSCE), signed in Helsinki in 1975 by 35 nations including the US and the Soviet Union, is not legally binding, it is a major statement of political intent.

What has made the Helsinki process so difficult to follow is the numerous forums and offshoots which it has spawned and the inordinate length of the various conferences which have taken place since its inception 11 years ago.

Apart from the two previous review conferences, in Belgrade from October 1977 to March 1978, and in Madrid from November 1980 to September 1983, there have been special meetings on human rights in Ottawa and on cultural matters in Budapest in 1985, and another conference on human contacts in Berne in the spring of this year.

The Stockholm Conference on Confidence and Security-Building Measures and Disarmament (CDE), which ended in somewhat unexpected agreement last September after two years of almost continuous deadlock, was also part of the Helsinki process.

These elephantine proceedings and their mostly unspectacular results have led to a growing chorus of voices advocating that euthanasia would be the best solution for the Helsinki Agreement. The agreement is accused by its critics of being too ambiguous and vague, and of glossing over the conflicting political systems and interests of East and West.

In the opinion of the Final Act's detractors, it has served the Soviet Union and its allies much better than the West. Moscow, which has always looked upon the Final Act as a formal recognition by the West of Europe's post-war frontiers, continues to attach much greater importance to its security aspects than to the commitments by the signatories to guarantee fundamental human rights. These include the freedom of expression, religion and movement across frontiers and the free exchange of information.

Significantly, the three most recent meetings on human rights and contacts ended without the adoption of agreed final documents.

At the current meeting in Vienna, too, the Soviet Union is expected to put the emphasis on the so-called "basket one" problems of security and disarmament. In particular, Moscow will press for a decision to be taken on some kind of merger of the second phase of the Stockholm Disarmament Conference and the 13-year-old Vienna-based Mutual and Balanced Force Reduction talks (MBFR). The MBFR talks have run into the sands, mainly because of the Soviet Union's unwillingness to see its superiority in conventional forces in central Europe whittled down.

The Western allies, which are still drawing up a response within Nato to Mr Gorbachev's dramatic but imprecise proposal for massive troop cuts, "from the Atlantic to the Urals," known as the Budapest Appeal, are in no hurry to agree to the Soviet procedural plan. To create a new forum without any better prospect than before of reaching agreement on conventional troop cuts would be pointless, it is argued.

Nor do the Nato allies want to discuss such cuts in a forum which includes all the European neutral and non-aligned countries.

The West's objective in Vienna will once again be to persuade the Soviet Union and its allies to comply with the human rights provisions of the Helsinki Agreement and thus to achieve a more balanced implementation of its rules of conduct.

Mr Warren Zimmerman, leader of the US delegation to the Vienna conference, summed up the West's objectives in this field: "I have in mind concrete, specific acts, rather than words transcribed or meetings attended. Granting emigration permission to those who desire it, allowing family members to join or visit one another, freeing prisoners of conscience, allowing Western radio the same access that Radio Moscow enjoys in our countries."

The West, without expecting the Soviet Union to change its political system, knows from experience that it can exercise some influence on Moscow to improve its human rights performance. In the 1970s, the rate of political arrests in the Soviet Union dropped by more than half, and in the same period Western radio stations were, at least intermittently, allowed to broadcast their foreign-language services without jamming.

In 1979, more than 50,000 Soviet Jews were allowed to emigrate, in addition to thousands more Armenians and Germans. However, last year the Jewish emigration rate dropped to less than 1,000, 1/50 of the 1979 total.

Despite the sorry record, Western countries, and certainly the neutrals, consider it is worthwhile plodding on with the Helsinki process. The Stockholm Agreement on the notification, inspection and verification of military manoeuvres, reached against all the odds and hailed by both sides as a major breakthrough in the field of confidence-building, has raised hopes that progress is now possible in other fields.

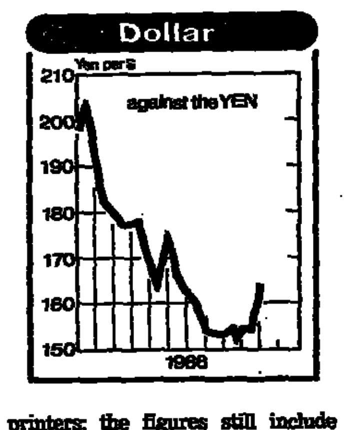
One encouraging factor is that the Helsinki process at least gives the signatories the opportunity to examine closely each other's human rights record. At the Ottawa meeting, the first CSCE forum to be devoted solely to human rights, the Soviet Union was eventually obliged to abandon its customary objection to "intervention in its internal affairs" and to offer a detailed defence of its record.

It is certain, too, that one or two other Warsaw Pact states now have a better human rights record than the Soviet Union and that considerable progress has been made towards improving human contacts between West and East Germany.

The Vienna meeting, therefore, is unlikely to see the end of the Helsinki process as some have advocated, notably Mr Vladimir Bukovsky, the prominent Soviet dissident now living in the West. The conference already has one major achievement to its credit: the provisional timetable foresees that it will end by July 1987, and that is progress indeed by Helsinki standards.

THE LEX COLUMN

The dollar also rises



If all goes well for the US Treasury auctions this week, bonds might yet regain the excitement lost since the summer. In the wake of last week's Baker-Miyazawa pact, a good response to the $29bn three-tranche auctions, which started yesterday with the three-year issue, seems much more probable than it did last week. Given this firm lead, the crucial Japanese interest in the 10 and 30-year issues could well return. A Japanese investor who has been watching his high dollar bond yields wiped out by a falling currency now has the prospect of a floor under the dollar, plus a widening of the interest rate gap.

Before putting their bids in, though, the Japanese will be assessing the effect of last night's election results on White House/Senate relations. The bond market - and the Federal Reserve - must also watch out for Friday's employment figures for the latest indication of the strength of the economy before getting too excited about US discount rate cuts.

Hanson Trust

There can be few more thrilling corporate histories than that of Hanson Trust. Despite the dead pan style of the latest work on the subject: "Hanson Trust - Form 20-F"; or perhaps because of the determined restraint of the author, the reader can sense the drama of the rise of Hanson.

From the early days when, under the name of C. Wiles, it was no more than a fertilizer company with grain sack leasing interests, to the present bi-national conglomerate capitalised at close to £5.5bn, events crowd the pages: in particular, the reader's attention is gripped by a list of nearly 60 significant acquisitions and disposals.

This new book, the SEC filing, is directed at US readers, who can now trade in sponsored Hanson Trust ADRs, though they showed little interest in the unsponsored kind. The sentence that most succinctly reveals to these newcomers the Hanson flavour runs: "Hanson Trust continually evaluates its existing and newly acquired operations and explores internally and with third parties possible acquisitions and dispositions of businesses."

More established followers of Hanson are given some idea of the difference this year's two big acquisitions, SCM and Imperial, have made. Even here, however, the quickness of the deal defeats the printers; the figures still include Courage.

Pro-forma profit and loss accounts and balance sheets at least give some basis from which Hanson's growth in the year soon to be reported can be measured. Had the three companies been one in 1984-85 pre-tax profits would have been £415.7m instead of the solitary Hanson's £252.8m, and at the interim stage of 1985-86 combined profits would have been £245.4m, not £157.6m.

Making a few adjustments to the balance sheet suggests that Hanson now has net cash of £300m, and if the convertible is counted as equity Hanson could borrow enough to launch a bid for several billion pounds without issuing another share.

US investors are more likely to see such leverage deployed in their market than the UK. Perhaps they will then increase their Hanson stake above the 1 per cent registered in the US, giving UK holders an opportunity to cash in some of their post-Imperial winnings.

GT

At a casual glance, the 169 per cent rise in GT Management's interim profits should have done more than leave the share price rooted to the spot at 216p.

But the shares had come up from 185p in the week ahead of the figures to break through the embarrassment barrier of 210p - the price at which the shares were floated in July. Usually companies like to warn the City when unexpectedly bad figures are imminent, but perhaps GT believes in a more even-handed freedom of information.

First-half on first-half the growth is spectacular. But the increase in pre-tax profits over the second half of last year is only 25 per cent: not so amazing, given the strength of world stock markets.

GT's profits have tended to be very much second-half oriented, but it would be dangerous to assume the same progression this year, following the loss of some substantial US clients.

But GT can easily absorb the 40 per cent increase in its administrative expenses: growth in its funds and fee income has been rapid enough to lift pre-tax margins from 20 per cent to 32 per cent.

One of the arguments for investing in the fund management sector had been that doubts about the impartiality of advice from the new City's financial conglomerates will cause investors to put their trust in the likes of GT instead.

But look at the extraordinary loss of almost £900,000 - the cost of GT's blocking of a bid for old pal Berry Trust. Hardly a disinterested transaction.

The market's leeriness about GT is more to do with its very heavy exposure to Japan - to the extent of some 40 per cent of its funds.

Here, too, there are grounds for supposing that GT will find it hard to repeat its tremendous interim performance. Yet if it makes just £11m pre-tax for the year the shares are on a multiple of around 13, which is almost bargain basement in this sector.

East and West

Cultural exchange, if not culture clash, is likely to be an increasingly prominent feature of the London equity market as the Japanese houses try to enlarge their UK client base.

With the entry of Nomura into the UK equity research stakes - whacking out a heavyweight and very bullish study of Glaxo - the struggle has already taken a rather curious turn.

Nomura's 27 pages of fundamental and very occidental-looking analysis emerged last week just in time to pick up a modest 30p bounce in Glaxo's drifting share price, no doubt supported by heavy purchases from Nomura clients.

At the same time, the small City broker Brewin Dolphin was in fatalistic mood, advising its clients in about a hundred carefully arranged words that the Glaxo shares had in them seeds of vulnerability - having broken down through the rising 200 day average.

Just about now, at 940p or so, clients of Brewin Dolphin should be realising capital gains on their long-held Glaxo stock by selling the shares to clients of Nomura. Wily customers, these English.

Airlines worried by noise curbs

By Michael Donne in Montreux

AIRLINES are concerned over a possible widening of rules governing aircraft noise that could involve heavy additional spending on new aircraft in the next few years.

They are expected to spend up to $250bn over the next decade on aircraft to replace ageing fleets and to meet expected traffic growth.

In view of financial difficulties a loss of between $600m and $800m is forecast by the International Air Transport Association (IATA) for 1986 and the outlook for 1987 is not much better - they are anxious to avoid heavy additional outlays that they believe to be unnecessary.

The IATA annual meeting in Montreux yesterday was told of an "objectionable" trend by governments to extend noise bans to types of aircraft previously exempt, so as to meet environmental objections.

"There is a clear trend, in general, towards reduced noise impact on the ground near airports as the airlines' massive expenditure on newer and quieter aircraft results in fewer operations by the older and noisier types," said the association's technical committee.

The committee said virtually all production aircraft met noise certification standards laid down by the International Civil Aviation Organisation or by the US federal aviation regulations.

"It is generally accepted that there is no significant practical new technology which will significartly reduce noise emissions below these standards. However, there is still a demand for an even quicker introduction of quieter aircraft. Deadlines for the phasing out of older non-noise-certificated aircraft have been established and in certain cases applied.

"But now, airworthiness authorities in Europe and the US are considering banning the operation of aircraft that are certificated to chapter two (of the ICAO annex 16 requirements.

Iata urges action, Page 3

London Stock Exchange helps firms to clear backlog of trade

BY ALAN CANE IN LONDON

THE LONDON Stock Exchange has established a task force to help member firms clear the backlog of trade which still remains seven days after Big Bang ushered in the new era of deregulated trading.

The settlement division is alarmed because little or no progress was made yesterday in reducing the backlog of 55,000 "unmatched" trade reports, which is equivalent to about 25,000 bargains worth a total of about £500m ($715m). An average day's trading now consists of about 50,000 bargains (or 100,000 trade reports).

Mr Michael Baker, head of settlement services at the Exchange said he was disappointed at the poor progress. He had identified 14 firms, mostly large conglomerates, which were responsible for 55-60 per cent of the unmatched trade reports.

A task force member will be seconded to each of these firms until the backlog has been eliminated.

Mr Baker has already discussed with Mr J. R. Knight, the exchange's chief executive, the possibility of naming the guilty companies in full council.

The exchange settlement division receives two trade reports for each bargain, one from each party to the deal. The details are compared and matched by the Charm computer system before being passed to the Talisman computer for electronic clearance.

The two trade reports must agree in all essential details before final clearance is allowed. Others are rejected as unmatched reports. Before October 27, the matching rate was 93 per cent. Now it is 75 per cent at best.

Mr Baker blamed for much of the problem "Chinese Walls", which are designed to prevent a conflict of interest between the market-making and agency sides of the big financial conglomerates.

"Of the 55,000 unmatched bargains, we believe 20,000 of them are trades done within single firms. The two sides in these firms are simply not following the same settlement conventions, resulting in a large number of unmatched trade report," he said.

Mr Baker said the firms themselves would have to bear the cost of bargains left unmatched by settlement day, November 17.

Studies by management consultants Nolan, Norton & Company have shown that a similar lack of co-ordination over settlement contributed heavily to the collapse of many stockbroking firms on Wall Street after the US stock market's Big Bang 10 years ago.

Specialists have agreed that the exchange's settlement computers are working well and that the matching problem lies with member firms. One said: "That is the correct allocation of error, but given the volume of trading, it is hardly surprising".

The backlog is a combination of unmatched bargains left from the Trustee Savings Bank flotation, problems with changes in the regulations over the matching of bargains and identification codes for member firms and problems with computer systems in member companies - for example, the inability to express vulgar fractions in decimal notation.

Experts suggested yesterday that the exchange would have little difficulty clearing the existing backlog - it had, after all, dealt with 80,000 unmatched bargains after the TSB flotation. The present anxiety was more likely to have been triggered by the prospect of an uncontrollable deluge of unmatched bargains after the British Gas flotation

US plans to veto vote on Chile loan

By Stewart Fleming in Washington

THE US is planning to abstain on a vote for a proposed World Bank loan to Chile as part of its efforts to increase pressure on Chilean head of state Augusto Pinochet to move more rapidly towards the democratisation of the political process.

It is understood that the US is also urging its European allies to abstain on the vote and that it has recieved indications from some Scandinavian governments and Italy that they will follow the US line. The US is waiting with some impatience to hear from Britain, West Germany and France.

The $250 million World Bank loan is due to come up for approval later this month. Some officials argue that the US action is aimed at postponing the loan rather than blocking it, an action which would be very damaging to the Chilean economy and which might backfire by permitting General Pinochet to rally support.

Although World Bank lending decisions have always been influenced by political considerations there is some evidence to suggest that, at least so for as the US is concerned, political factors will play a bigger role in its decisions in future.

Congressional action to cut foreign aid appropriations means that the US is expecting to have to rely more on multilateral development agencies such as the World Bank and the Inter-American Development Bank as a source of aid.

This is a marked shift from the earlier years of the Reagan Administration when officials wanted to downplay the significance of the multilateral lending agencies and funnel a larger proportion of its aid on bilateral basis partly because of the increased political leverage associated with bilateral lending decisions. Bringing US foreign policy considerations to bear on a multilateral development bank lending decision is clearly more complex because of the need to rally the support of other countries.

The US has been sending unmistakable signals to General Pinochet that it is deeply unhappy about his failure to move towards a democratic political system.

UK to decide on India project

BY JOHN ELLIOT IN NEW DELHI

THE BRITISH Government will soon decide whether to back Northern Engineering Industries or GEC as the main contractor for a power station project in India worth about £250m ($352m). NEI has had problems with existing power station work in India.

The UK is also talking to the Indian Government about modernising a steelworks at Durgapur and the two projects together could involve British grant aid totalling more than £200m.

This would dramatically increase the aid to India now based on a general allocation each year of between £100m and £110m for a variety of industrial and other work. For the two new projects, aid would also be drawn from other sources including the Overseas Development Administration's aid-for-trade budget and a new tranche of funds recently extended to India to help British industry secure major capital projects.

Diplomatic relations between the UK and India are at a low point because of the activities in Britain of militant Sikhs, the UK's stand on South Africa sanctions and the introduction of visas for Indians visiting the UK. Trade talks have also been affected, but the two projects appear unaffected. However final Cabinet decisions have yet to be taken.

NEI is already building a 1,000MW power station at Rihand for India's National Thermal Power Corporation but made a slow start when it was awarded the £230m turnkey contract four years ago.

That contract was negotiated on a government-to-government basis after the deal had been agreed in principle between the late Mrs Indira Gandhi, Indian Prime Minister, and Mrs Margaret Thatcher, the British Prime Minister. The British Government became more involved when India asked it two years ago to put pressure on NEI to improve its performance.

NEI won the job in 1982 after tough lobbying in Whitehall

World Weather

		°C	°F
Ajaccio	S	18	64
Algiers	F	20	68
Amsterdam	S	11	52
Athens	C	17	63
Bahrain	S	31	88
Bangkok	S	33	91
Barcelona	S	16	61
Beirut	n/a	n/a	n/a
Belfast	C	8	46
Belgrade	C	3	37
Berlin	C	8	46
Biarritz	S	10	50
Bombay	F	34	93
Bordeaux	S	10	50
Brussels	S	10	50
Budapest	S	7	45
B. Aires	R	19	66
Cairo	S	27	81
Cape Town	S	17	63
Caracas	C	28	82
Casablanca	S	21	70
Chicago	C	6	43
Cologne	C	8	46
Copenhagen	F	9	48
Corfu	T	14	57
Dallas	—	—	—
Dublin	C	8	46
Dubrovnik	C	15	59
Edinburgh	C	8	46
Faro	S	22	72
Florence	S	12	54
Frankfurt	C	6	43
Funchal	C	20	68
Geneva	S	7	45
Gibraltar	F	21	70
Glasgow	C	10	50
Guernsey	S	11	52
Helsinki	R	4	39
H. Kong	S	25	77
Innsbruck	S	7	45
Inverness	R	8	46
Islamabad	S	30	86
Istanbul	S	14	57
Jakarta	R	30	86
Jersey	S	12	54
Jo'burg	S	27	81
Lima	C	20	68
Lisbon	F	17	63
London	F	11	52
Los Angeles	S	30	86
Luxembourg	C	6	43
Madrid	S	17	63
Majorca	S	19	66
Malaga	F	20	68
Malta	C	19	66
Manchester	C	6	43
Manila	S	32	90
Melbourne	S	29	84
Mexico City	C	21	70
Miami	C	30	86
Milan	S	11	52
Montreal	C	7	45
Moscow	C	1	34
Munich	C	1	34
Nairobi	n/a	n/a	n/a
Naples	F	13	55
Nassau	S	30	86
New Delhi	S	30	86
New York	R	11	52
Nice	S	17	63
Nicosia	S	23	73
Oporto	S	19	66
Oslo	S	2	36
Paris	C	7	45
Peking	F	13	55
Prague	F	6	43
Reykjavik	R	6	43
Rhodes	S	21	70
Rio de J'o	S	29	85
Rome	F	15	59
Salzburg	C	1	34
San Francisco	S	26	79
Seoul	F	11	52
Singapore	R	27	81
Stockholm	C	5	41
Strasbourg	C	4	39
Sydney	S	24	75
Taipei	C	22	72
Tangier	F	23	73
Tel Aviv	F	23	73
Tenerife	F	23	73
Tokyo	S	22	72
Toronto	C	7	45
Tunis	F	19	66
Valencia	S	19	66
Venice	C	—	—
Vienna	F	6	43
Warsaw	C	5	41
Washington	—	—	—
Zurich	F	5	41

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK foreign reserves fall

Continued from Page 1

That was the course the Government eventually adopted, but Mrs Thatcher's initial response was that the Government should let sterling take the strain of speculation in financial markets. Her instinct was that it was wrong either to use the reserves or to raise interest rates and that sterling should be left to find its own level against other major currencies.

The Prime Minister took a similar view during the sterling crisis of late January when the authorities narrowly avoided a second rise in interest rates.

On the latest occasion, however, Mr Lawson is understood to have made it clear that he was not prepared to let the exchange rate fall indefinitely because of the damaging consequences for inflation. Mrs Thatcher then agreed to higher borrowing costs

The actual fall in the reserves last month was $434m, leaving a total of $22.4bn at the end of October. The underlying change, the best proxy for the level of intervention, strips out the effect of several routine transactions including the latest revaluation of Britain's reserves with the European Monetary Co-operation Fund.

Financial markets yesterday shrugged off the figures with the sterling index dipping only fractionally to 68.6 from 68.7 on Monday. The dollar weakened slightly but traded in a narrow range ahead of results of the US mid-term elections.

SA Cabinet reshuffle

Continued from Page 1

tal banks in anticipation of recently approved anti-apartheid legislation in the US which takes effect on November 17.

Although the legislation only affects the South African Government, its agencies and state-owned companies, commercial banks in South Africa fear that their US deposits - put at $200-300m - could become vulnerable to future legislation and were taking precautionary measures, banking officials said yesterday.

JOBS

Hobby hazard • Pay in finance and personnel

BY MICHAEL DIXON

WHAT ARE your interests other than work? That question appears on many job-application forms. Moreover even when there is no application form, or one that does not ask about outside activities, many candidates voluntarily list a sample of them in their curriculum vitae.

It is only ingenuous applicants, of course, who name their real interests. The canny make up a list on the basis of research into the habits of the recruiting organisation's ruling caste and then, if called for interview, put themselves through a crash course of training in how to talk convincingly about the activities in question.

But it appears that even these canny candidates may well be loading the odds against themselves, according to an inquiry by headhunter John Courtis into the sorts of things that make employers scrap applications without a second glance.

"The message seems to be that candidates should suppress all hobbies and interests in their CVs," he says. "For every recruiter who is in favour of something, there are likely to be dozens against it. Current hates include: do-it-yourself, "family," chamber music, painting, fell-walking, jogging, hunting, reading (why mention it?), writing books. . . ."

Mr Courtis's advice is unfortunately not of much help to candidates confronted with a standard application form which specifically asks: "What are your interests other than work?" After all, anyone who simply left the question unanswered might be assumed to have some shameful proclivity—such as supporting Blackheath Rugby Club—to hide.

What best to do instead, the Jobs column does not know. The only thing I can think of at the moment is to answer: "Is there anything other than work?" But even that might be taken to betray an unhealthy interest in philosophy.

If readers can see good ways out of the dilemma, I would be grateful to hear of them.

New indicators

NOW TO today's table. It is drawn from the Remuneration Economics consultancy's surveys of pay and perks, as at September 1, of financial and personnel staff in Britain.

In full the financial survey covered 2,676 employees of 190 assorted organisations throughout the country. The counterpart study of personnel covered 1,524 staff in 175 concerns. As all I have room for is crude indicators, anyone wishing to know more should contact the consultancy's chief Peter Stevens at 51 Portland Road, Kingston-upon-Thames, Surrey KT1 2SH; telephone 01-549 8726.

Reading from the left the table gives first, in descending order, eight ranks of staff in each of the two specialisms. Then, in each case, come the basic salaries and the total money rewards including bonuses and so on of the lower quartile person who would come a quarter way up from the bottom of a ranking of all at the same rank in the same field of work.

Next are the basics and totals for the median workers who would be precisely half way in the ranking, followed by the indicators for the upper quartile person a quarter way down from the top. The fourth pair of columns of money figures give the averages among the people in each category. Then come the percentages of them who enjoyed bonus payments, company cars, free fuel for non-business motoring, and finally at least five weeks' holiday.

Where pay increases over the year to September 1 are concerned, the hard men and women from accounts did the better with an average rise of 11.1 per cent compared with the personnel staffs' 10.4.

The "people" people, however, had the itchier feet. Over the 12 months, 10.3 per cent of them resigned and moved on as against 8.4 in 1984-85. Resignations among the finance folk were down to 8.2 per cent from 9.8.

	Lower quartile		Median		Upper quartile		Average		% who	% with	% with	% with
	Basic salary £	Total money rewards £	Basic salary £	Total money rewards £	Basic salary £	Total money rewards £	Basic salary £	Total money rewards £	were paid bonus	company car	free petrol	5 weeks or more holiday
Director—Finance	30,000	32,480	39,000	42,147	54,995	55,092	42,910	45,599	48	93	56	36
—Personnel	30,000	30,604	35,650	39,000	41,000	43,500	36,050	38,929	53	93	60	36
Senior function head—Finance	22,500	23,500	29,250	30,900	37,260	39,000	30,851	31,856	35	95	40	39
—Personnel	20,500	20,750	26,520	27,800	33,500	34,815	27,742	28,808	34	91	40	34
Function head—Finance	20,000	20,500	24,964	25,964	31,050	32,660	26,539	27,453	41	88	34	37
—Personnel	17,920	18,432	23,600	24,800	30,103	31,279	25,130	26,028	50	83	22	36
Department head—Finance	17,490	17,794	21,000	21,284	24,696	25,764	21,982	22,715	43	71	22	29
—Personnel	17,835	18,025	20,800	21,935	24,700	25,440	21,954	22,716	42	74	18	33
Section manager—Finance	16,232	16,771	19,000	19,720	22,725	23,661	19,883	20,570	37	57	11	34
—Personnel	16,036	17,000	19,350	19,763	21,886	22,297	19,444	20,300	46	58	10	36
Section-leader—Finance	14,000	14,352	15,852	16,200	18,160	18,948	16,116	16,776	42	31	4	30
—Personnel	13,661	14,220	16,000	16,418	18,355	18,792	16,279	16,721	36	38	8	26
Senior accountant	11,925	12,250	13,644	14,165	15,905	16,450	14,063	14,604	35	11	3	28
Senior personnel officer	11,400	11,700	13,083	14,009	15,060	16,000	13,393	13,915	40	20	9	24
Accountant	9,505	9,920	11,400	11,601	13,287	13,722	11,520	11,920	39	10	1	14
Personnel officer	10,063	10,629	11,055	11,891	12,717	13,368	11,567	12,181	47	13	1	14

Complex

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Inquiries to headhunter Michael Brandon of Korn/Ferry International, 31 St James's Square, London SW1Y; tel 01-930 4334.

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An excellent opportunity exists within a major International Bank for a qualified lawyer to work within their legal department. Working as part of a team and advising the bank re documentation this represents an excellent opportunity to become involved within the City.

01-588 4305/6 Moorgate Hall, 153/157 Moorgate, **LONDON EC2M 6XB.**

SWAPS

Salary Negotiable

A leading UK Merchant Bank with a reputation for innovation in the swaps market is currently expanding its Far East presence and wishes to recruit a further specialist to concentrate on the Japanese market, based in London. The role will necessitate close contact with the London swaps market and an active involvement in identifying and transacting deals in conjunction with the team in Tokyo.

The ideal candidate will be a high calibre graduate banker in their mid 20's with at least one year's swaps experience. Familiarity with the Japanese market, possibly gained by working in a Japanese bank, would be a distinct advantage.

An attractive remuneration package and excellent prospects are available. Those keen to develop a career in a rapidly developing investment banking environment should contact **Christopher Smith** or **Victoria Ward Krickic** on 01-404 5751 in strictest confidence, or write to them at Michael Page City, 39-41 Parker Street, London WC2B 5LH, quoting reference 3695.

Michael Page City
International Recruitment Consultants–London Brussels NewYork Paris Sydney
A member of Addison Consultancy Group PLC

Unit Trust Sales

My client is the investment management division of a medium size Scottish Life Office which over the past few years has established itself as one of the sector leaders in the UK *with four of its funds having achieved the No. 1* position in their sector.

To capitalise on this spectacular performance by the young investment team my client now wishes to recruit a successful unit trust sales professional to further *develop* the sales activity in The City.

Reporting to the investment marketing manager you will develop and expand the existing client base, currently serviced from Scotland, and will be responsible for achieving significant levels of new business in both unit trust and other current and future financial products including PEPs.

The remuneration package is extremely generous and includes a basic salary of £20,000, plus commission on all sales, a non contributory pension, car scheme and mortgage assistance.

To apply, send a detailed cv stating current salary to Douglas Kinnaird CA quoting ref: 96/1111/FT or telephone his secretary for an application form.

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 68 Knightsbridge, London SW1X 7LE
Telephone: 01-235 6060 Telex: 27874

Venture and Development Capital

Our task is to promote industrial activity in Wales. A cornerstone of our approach is the provision and syndication of venture and development capital to start up and expand businesses.

We are looking for INVESTMENT ANALYSTS to work in the following areas:-

* Cardiff
* Carmarthen
* Hirwaun
* Bridgend
* Bangor

You will be expected to assess businesses, formulate investment proposals, obtain approvals and then monitor the resulting investment portfolio. You should also be able to demonstrate:-

* Numeracy
* Social skills
* Common sense
* Motivation
* Financial sector or relevant experience

Additionally, you will have a good degree and/or relevant professional qualification.

We will offer you an integrated training programme to develop the skills you bring to us. Salary will be by negotiation in the range £11,000 to £15,000.

Please send a C.V. including salary history to:-

WDA
Welsh Development Agency

Stephen White, Executive Director (Investment)
Welsh Development Agency
Pearl House, Greyfriars Road
Cardiff CF1 3XX
Telephone: Cardiff (0222) 32955. Ext. 310

Unusual opportunity for an Investment Manager

We require an Investment Manager, with personality, to undertake the day-to-day management of our Irish Equity Portfolios and also to be involved in the management of the associated international and fixed interest portfolios. The job will be based in London, but the successful applicant will be expected to spend about four days per month in the Republic of Ireland.

The portfolios involved are for our Main Insured Fund, our Managed Pension Fund and Unit Linked Funds, totalling approximately I£200m at present.

The person appointed will also be expected to support our sales team, to make presentations to trustees and consultants and to be responsible for client services generally, for our Managed and Unit Linked Funds.

This is a unique opportunity with considerable potential for increased responsibility and arises from the rapid expansion of this part of our business. The successful applicant will have a good track record and a minimum of 5 years' relevant experience, of which at least 2 years must have been in Fund Management. Direct experience of the Irish Market is not essential, but would be an advantage. An attractive salary and fringe benefits package will be provided.

Please contact, with C.V., Ronald G. Florence, Manager, Stock Exchange Department, Friends' Provident Life Office, 7 Birchin Lane, London, EC3P 3BA. Telephone 01-626 4511.

Friends' Provident
Member of the Association of British Insurers

SENIOR FX DEALER c£45,000

Our client, a prestigious City bank can offer a rewarding opportunity for a highly competent foreign exchange dealer. The appointee will need to have excellent, all round, spot and forwards trading experience on the cable market gained with active trading banks. Candidates will ideally be aged in their 30's and looking to further their career within this area. Salary will be c£45,000 plus car and usual benefits.

SPOT AUS$ £Neg

Our client is a prime name international bank, with a substantial, highly active dealing room. Applicants should have actively traded a spot Aus$ book for at least 2 years and will need in-depth knowledge of the market. Experience in dealing another minor currency would be an advantage. Salary will be negotiable with the opportunity of substantial profit related bonus.

Roger Parker Organisation
65, London Wall
London EC2 5TU
01-588 2580

FX, TREASURY AND CAPITAL MARKETS RECRUITMENT SPECIALISTS

INVESTMENT MANAGER

Private organisation in London NW3 administering portfolios of two charitable foundations, a share trading company and family members requires experienced investment manager on terms to be negotiated. Part-time probably sufficient.

Please reply to Box A0323
Financial Times, 10 Cannon Street
London EC4P 4BY

RETAIL ACCOUNT EXECUTIVE 'SERIES 7'

CIRCA £14-18K PLUS BONUS & BENEFITS

Fidelity is the largest privately owned investment organisation in the world. A global network of offices span the world's major financial centres to control and manage over £40 billion worth of assets.

An important part of Fidelity's worldwide success has been due to the Fidelity Investments Brokerage Service. Since its inception in 1978, FIBS has become America's second largest operator in this area with 38 offices across the country.

Fidelity are determined to achieve a similar level of success here in the UK and now require a Retail Account Executive to join their enthusiastic team in the City.

Applicants should be aged early twenties to early thirties, preferably with several years brokerage experience and Series 7 registration. However, this is not essential as the company is prepared to train a highly motivated graduate with a good honours degree and who has the enthusiasm and ability needed for this position.

FIBS offer a full brokerage service on a national basis together with discount broking for American ex-patriates in the UK and Europe. Your role will be to accept orders for equities, options, bonds and mutual funds in addition to dealing with client enquiries on various FIBS products and services. A vital part of your responsibilities will be to maintain Fidelity's reputation for providing a thoroughly professional, efficient and accurate service.

The remuneration package is negotiable in line with experience and will include a salary of £14-£18K plus a substantial performance-related bonus, non-contributory pension, private health scheme and free life assurance.

If you would like to become part of an expanding organisation that offers excellent long-term career potential, please write to Gerry Baxter, Personnel Manager at Fidelity International Limited, 25 Lovat Lane, London EC3R 8LL.

BERMUDA–BOSTON–HONG KONG–JERSEY–LONDON–NEW YORK–SAN FRANCISCO–SYDNEY–TAIPEI–TOKYO

Fidelity INTERNATIONAL

BANKING OPPORTUNITIES

CAPITAL MARKETS c£27,000
UK house offers a challenge to individuals wishing to develop their capital markets experience. The role involves research, marketing and the structuring of non-standard financing. This is a high profile position with a major force in the market. Ref: SN0321

PRIVATE CLIENTS c£17,000
UK merchant bank seeks a private clients specialist to join an expanding department. Working as part of a small team you will be part of the decision making process dealing with discretionary funds. Ref: RL0314

INSTITUTIONAL SALES c£25,000
Major international bank requires an additional person to join the institutional sales team as part of their expansion in the UK and European markets. An exciting opportunity to join a bank that knows where it is going! Ref: RL0315

BANK ANALYST c£16,000
Major US house has a requirement for an additional analyst to join their high profile credit group. Technical ability and hard work will be rewarded both financially and with superb career development. Ref: SM0318

Telephone: 01-256 5041 (out of hours 01-987 8907)

Management Personnel
10 Finsbury Square, LONDON EC2A 1AD.

DEALING	Chief Dealer Eurobonds	£000,000s
	Chief Dealer: F.X. and M.M.	£35,000 NEG
	Asset Manager (Treasury)	SwFr NEG
	Physicals Dealer	SwFr NEG
	Foreign Exchange Dealer	SwFr NEG
	Futures and Options Dealer	SwFr NEG
	Foreign Exchange Spot Dealers	c. £30,000
	Corporate Dealer: FAR EAST SPECIALIST	£35,000
	Senior Dealer: Foreign Exchange	£25,000
BUSINESS DEVELOPMENT	U.K. Corporate/Project Finance	£30,000
	International Commodity Financing	£25,000
	U.K. Corporate Lending	£20,000
	Credit Analysts	£12,000-20,000
ACCOUNTS	Financial Controller: ACA and banking	£30,000
	Qualified Accountant and banking	£15,000+
	Audit Assistant: A.I.B.	£13,500
CORPORATE FINANCE	Mentor/Advisor/Strategist for Corporate Finance and Capital Markets	

STAFF CONSULTANTS
109 Old Broad Street
London EC2N 1AP
01-588 3991

OLD BROAD STREET BUREAU LIMITED

Company Secretary

Public group — **Cheshire**

This group of companies with turnover approaching £150 million is unusually diverse in its operations and exceptionally ambitious in its plans.

The dramatic growth achieved so far now requires the appointment of a Secretary who will take responsibility for the full range of corporate legal, secretarial and administrative matters including insurances, pensions and properties.

Candidates, male or female, preferred age early 30s to middle 40s, must have relevant degree and/or professional qualifications. They must be thoroughly experienced in a public company across the full range of secretarial responsibilities, ideally including involvement in acquisitions.

Salary negotiable around £25,000; excellent benefits including car, relocation help if needed, and share option prospects.

Please send career details, in confidence, to D. A. Ravenscroft.

Ravenscroft & Partners
Search and Selection
20 Albert Square, Manchester M2 5PE

SYDNEY — **Jonathan Wren** LONDON — HONG KONG

ASSET FINANCE DEPUTY MANAGING DIRECTOR

£Substantial Financial Package

To take advantage of changing market conditions our client has successfully embarked upon a course of expansion and diversification in line with their position at the forefront of asset based financing.

As a key member of their management team, the appointee will play a major role in the formation of the group's marketing policy and will be responsible for the control and motivation of an aggressive sales team, whilst retaining personal negotiating involvement with larger or more complex 'one-off' transactions.

Aged c35 years, the successful applicant will be a top finance professional, possessing a sound knowledge of middle ticket and sales aid leasing and other forms of asset based finance, built upon a solid foundation of sales, marketing and structuring skills.

A reputation for creativity and initiative will ensure his/her success in maximising sales and leading financial product development.

The remuneration package is excellent and this position provides an exceptional career opportunity.

Please contact Jill Backhouse
All applications will be treated in strict confidence.

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266

Deputy Investment Manager

City based

The Mercantile and General is the largest international reinsurance company in the UK, with investment portfolios in the region of £800m – £550m in the UK and £250m overseas in 18 countries.

Reporting to the Investment Manager, the individual filling this key post will be responsible for the management of overseas investment portfolios which are handled on a day-to-day basis by three Fund Managers covering North America and Australasia, Europe and the Far East respectively.

This is a major promotion opportunity for an ambitious professional probably in his/her mid to late thirties, who has excellent interpersonal skills and can demonstrate a good record in the management of overseas investment portfolios.

In addition to an attractive negotiable salary based on experience, this appointment offers a company car, low interest mortgage facilities, bonus, free life assurance, non-contributory pension scheme and free medical insurance.

Please write, enclosing full career details, to:
Tony Cole,
The Personnel Manager,
The Mercantile and General Reinsurance Company plc,
Moorfields House, Moorfields, London EC2 9AL.

Mercantile and General Reinsurance

SENIOR DEALER

Salary Negotiable – Attractive Package

The Halifax wishes to appoint a Senior Dealer for its Head Office Treasurer's Department in Halifax.

The appointee will primarily be involved in the trading of the Society's £4 billion liquid funds portfolio in the gilt edged and money markets. The Society also has a substantial £2 billion presence in the wholesale money markets.

Candidates will be required to demonstrate their capacity to make a significant contribution to a highly successful and experienced team which has been at the forefront of development and initiatives in this field. Relevant experience in the trading of liquid funds portfolio is essential. A professional qualification would enhance future prospects.

The post carries a competitive salary and a range of benefits including a contributory pension scheme, car, group life assurance, subsidised mortgage facilities, BUPA and a full relocation package (if appropriate).

Candidates should apply in confidence with full CV to: General Manager – Personnel & Services, Halifax Building Society, PO Box 60, Trinity Road, Halifax HX1 2RG.

An equal opportunity employer

HALIFAX
BUILDING SOCIETY

PRUDENTIAL PORTFOLIO MANAGERS LIMITED

European Fund Manager

Attractive Package · Central London

Prudential Portfolio Managers Limited, is one of the largest institutional investors in the European equity market.

To strengthen our London based team we're searching for a talented investment professional with between one and three years' experience in European Analysis or Fund Management. Ideally a graduate with a good grounding in economics, finance or statistics, you must be prepared to travel abroad to undertake company research. A European language would be advantageous.

The appointment is primarily concerned with the portfolio management of European equity positions resulting in optimum fund performance. Creating and sustaining relationships with clients, stockbrokers and investment advisors will be an important element in your overall brief.

The career prospects are exceptional as are the rewards which include a subsidised mortgage, non-contributory pension, life assurance and a subsidised restaurant. If you're sufficiently experienced, a company car will be added to this attractive package.

Please write with full cv, in strict confidence to: Caroline Charnell, Personnel Officer, Prudential Portfolio Managers Limited, 142 Holborn Bars, London EC1N 2NH.

PRUDENTIAL

INVESTMENT ANALYSTS

National Mutual recently announced the acquisition of Schroder Financial Management Ltd. The new group is now one of the fastest growing Life Assurance and Unit Trust organisations in the U.K. As part of our continuing expansion and as a resultofa promotion to Australia we have two vacancies for Investment Analysts in our forward-looking team based in Poole, Dorset.

The successful applicants will become part of a major UK organisation which is in turn part of an international financial services group whose assets exceed £6 billion. The ideal candidates should have suitable degrees, be in their mid-twenties and have between on and three years' analytical experience. Candidates with experiance in the Electrical, Electronics, Pharmaceutical and Chemical sectors of the UK equity market will be particularly well regarded as will persons who are progressing towards an ASIA qualification.

These appointments will provide rewarding challenges to the right people. The salaries offered will be competitive and progression includes eligibility to a performance-related bonus scheme. Relocation assistance to Poole will be given as required. Fringe benefits include a mortgage subsidy after a qualifying period an dother benefits applicable to a large insurance group.

Due to our expansion programme the promotional opportunities are excellent and we are therefore looking for candidates of high calibre with the ability to progress. If you believe you are capable of meeting these challenges please write with detailed CV, including current salary or telephone for an application form to:

Sally Hayward
Personnel Officer
National Mutual
NM House, Serpentine Road
Poole, Dorset BH15 2BH
Telephone: Poole (0202) 680666

National Mutual

Operations Manager

£30-35,000 + Excellent Benefits

Our client, a leading North American securities house, currently seeks to recruit an Operations Manager to head up its expanding operations function.

The ideal candidate will already have reached manager level within a well respected institution and have gained broad experience over a wide range of settlements, including Eurobonds, Foreign Exchange and Equities. The ability to control and co-ordinate a highly successful team is essential, as are strong management reporting skills. This senior position reports to the organisation's Financial Director.

The remuneration package is negotiable, according to previous experience, and benefits will include a car and a generous bonus.

Interested applicants should contact Kate Syms on 01-404 5751, or write to her, enclosing a comprehensive Curriculum Vitae, at 39/41 Parker Street, London WC2B 5LH, quoting ref: 3615.

MP
Michael Page City
International Recruitment Consultants - London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

International Mergers & Acquisitions

London — Six figure package — 27–35

The growing trend of companies to expand outside their domestic markets has led to an increasing demand for specialised international merger and acquisition services.

To meet this demand, the Group was incorporated in 1984 with a capital base in excess of US$10 million raised through a private placement. The shareholders are private individuals and the Group is completely independent.

The combination of the Group's resources and its ability to generate and market ideas through its offices in London, New York and Europe has resulted in the development of relationships with a wide range of companies seeking international expansion. In under two years, US$400 million of cross border mergers and acquisitions have been completed. This success has led to a requirement for an outstanding young person to be based in London.

This person should have the ability to generate, analyse and execute international transactions. He or she will be highly intelligent and will probably have a good degree and a relevant post-graduate qualification (MBA, solicitor, accountant).

The right person will have the opportunity to accumulate a substantial amount of capital.

Please call or write in confidence to Stuart Glass at Ian Willis Associates Ltd., 16 Regency Street, London SW1P 4DB. Telephone 01-821 6545.

IAN WILLIS ASSOCIATES
Executive Search Consultants

Managing Director – Eurobond Specialist Firm

The opportunity to head up a high quality Eurobond specialist firm

This is an opportunity to run one of the world's most sophisticated Eurobond firms with a fine reputation for the quality of its services. This highly successful London-based Company is a subsidiary of a U.S. group with unrivalled expertise in its specialist market sector. It has a large client base and an existing team of experienced specialist brokers who cover almost every sector of the Eurobond market.

The primary task is to provide effective leadership for the Company's team of specialists. To do this, you will need to have an in-depth knowledge of the Eurobond market and the motivational and judgemental skills required to manage a talented work force. You will also be responsible for stimulating business by identifying new opportunities and by the development of senior level contact with clients. Additionally you will possess the administrative experience necessary to ensure good accounting and reporting standards.

The Company offers an excellent compensation package with the opportunity to enhance this significantly by a performance bonus based directly on results. If you have the blend of technical and managerial expertise required for this job, please write in complete confidence to the Company's advisor on this appointment, **John Sears, Cavendish Court, 11/15 Wigmore Street, London W1H 9LB or telephone: 01-629 3532.**

John Sears

INVESTMENT ANALYSTS

We have a major investment in both the U.K. and Overseas equity markets, and with the continued expansion of funds under management we are now looking for additional investment personnel. As key members of a very successful team the ability to work alongside others is essential. We are looking for people to make an early contribution and the successful candidates should be able to demonstrate an ability to work on their own initiative.

Applicants should ideally be graduates and/or professionally qualified.

We currently have positions for the following:

Investment Analyst — European Equities
£15,000-£18,000

Working closely with the European Fund Manager, within the Overseas Equity team, the successful candidate will have experience of European markets, with a financial institution or stockbroker.

2 Investment Analysts — U.K. Equities
£15,000-£18,000

Working closely with the U.K. Fund Managers and existing analysts, the successful candidates will have experience of the U.K. market with a financial institution or stockbroker.

An attractive benefits package is also offered which includes a non-contributory pension scheme and preferential mortgage scheme.

Applicants should apply in writing, including a comprehensive curriculum vitae, to:
A.P. Peggie Esq., Investment Administrator,
Eagle Star Insurance Company Limited,
1, Threadneedle Street, London EC2R 8BE.

Eagle Star

VENTURE CAPITALIST

Grosvenor Venture Managers Limited is an independent management company which controls two major development capital funds. Grosvenor Development Capital and the Grosvenor Technology Fund.

We are planning a significant expansion of our activities in 1987 and wish therefore to recruit an additional senior member to complement our existing executive team.

Candidates must be able to attract good potential investments, negotiate and structure deals, play an active part in advising and assisting investee companies and contribute to the overall development of Grosvenor Venture Managers.

Consequently, we envisage that candidates will be in their thirties with at least five years' experience in the venture capital business.

We are offering a stimulating and interesting opportunity to the successful candidate, as well as a competitive remuneration package and equity participation.

Reply with a full curriculum vitae to David Beattie at the following address:

Grosvenor Venture Managers Ltd.
COMMERCE HOUSE
2-6 Bath Road
Slough, Berks SL1 3RZ

Fund Management

Major gilt-edged opportunity
Salary negotiable

The performance over recent years of Sun Life Investment Management Services has been outstanding.

Not only have we achieved high returns on our investments, our reputation for a well-managed portfolio is regularly applauded.

We attribute much of this success to the high level of expertise employed within our small, City based team.

It's their ability to analyse markets, make appropriate recommendations, and buy and sell securities, which has led to the growth of our funds. We now need to recruit a further fixed interest professional.

The requirement is for an experienced person used to operating within a team framework. He or she will be competent in the active management of fixed interest securities and capable of adapting to changes in investment practice that will evolve as a result of market deregulation.

Ideally the successful applicant will also have experience of managing longer term life funds and have obtained an actuarial qualification.

In addition to a highly attractive salary, our range of benefits includes a subsidised mortgage and outstanding career prospects.

To apply, please send a full CV to: David Baker, Executive Director, Sun Life Investment Management Services, 107 Cheapside, London EC2V 6DU.

SUN LIFE

Capital Markets
New Issues
International
Equities

With its growing commitment to the international securities markets, J. Henry Schroder Wagg & Co. Limited, one of the leading UK Merchant Banks, requires a senior Executive to join its Capital Markets Division. The successful candidate will be responsible for marketing new issue business in the equity sector to European Companies and will work with the Product Director for International Equities.

Candidates should be graduates with a minimum of 2 years experience of the origination of international equity and equity linked issue business in Europe.

A fully competitive salary is offered together with an attractive range of benefits including mortgage subsidy, company car and a generous non-contributory pension scheme. Career prospects within the Schroder Group are excellent.

Applications in writing, with full curriculum vitae and photograph should be sent to The Personnel Manager, J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London, EC2V 6DS.

Schroders

The Julius Baer Group is establishing a Fixed Income Research department and requires a

CHIEF FIXED INCOME ECONOMIST

The Group manages in excess of $5 billion in International bonds and is growing rapidly in Zurich, London and New York.

The Candidate – who will be based in London but should be prepared to travel widely – will have a major role in determining investment policy and will be expected to build the department and develop a research product.

Salary is negotiable in line with the importance of the post. Please contact Simon Hard, Bank Julius Baer, Bevis Marks House, Bevis Marks, London EC3A 7NE.

JB∞B
BANK JULIUS BAER

Japanese Equity Sales

Merrill Lynch are looking to add two top quality sales people to the Japanese equity sales unit based in London. One person to market to Scottish institutional clients, and the other to London institutions. They will be part of an international sales and trading team supported by a high quality Tokyo based research capability.

The applicants need not necessarily have been employed as stockbrokers, but knowledge of the Japanese market and the client base is essential.

The remuneration package will reflect the experience and quality of the successful applicants and relocation expenses would be paid for an individual currently based in Scotland.

Apply in confidence with full career details to: Keith Robinson, Personnel Services Manager, Merrill Lynch Europe Ltd., 27 Finsbury Square, London EC2A 1AQ.

Merrill Lynch

MONEY BROKER

The Tradition Group has a vacancy in its Toronto office for a Currency Deposit and New Money Market Instrument Broker. The successful applicant will have a preferred age of 28-32, be capable of fulfilling a management role and will have an established reputation in the London Market.

Write in the first instance with a detailed curriculum vitae to:
A. Haig-Thomas
TRADITION UK GROUP LIMITED
Staple Hall, Stone House Court
87-90 Houndsditch, London EC3A 7AX

GONVILLE AND CAIUS COLLEGE, CAMBRIDGE
SENIOR BURSAR

Gonville and Caius College, Cambridge, invites applications for the post of Senior Bursar. The Senior Bursar is a Fellow of the College and is responsible to the College Council for the management of the College finances and for the supervision of its investments and estates, in close co-operation with other College officers and with the College's professional advisers. The successful candidate will be expected to take up office on 1st October 1987, or as soon as possible thereafter. Further particulars may be obtained from the Master, Gonville and Caius College, Cambridge CB2 1TA to whom applications should be made with the names of three referees not later than 5th January 1987.

TREASURY MANAGEMENT

The Woolwich has taken a leading role in establishing the presence of building societies in the sterling markets. We intend to maintain this position and have plans to develop the range and scale of our operation even further.

These plans will require the full participation of an Assistant Treasurer, so we are now looking for someone with an impressive record of achievement and the right personal qualities to lead our small dealing team, who can grow with us as our treasury function expands and diversifies. Although money market experience is our primary requirement, our plans also offer scope for those with knowledge of the Gilt and CD markets and wholesale funding.

Candidates should, preferably, be educated to degree standard, but formal qualifications are less important than experience and potential. Age is also not of prime importance although the maturity and judgement to control the dealing team and to manage the function in the absence of the Treasurer will be crucial.

In return for your expertise we can provide a very attractive remuneration package with the excellent benefits you would expect from a leading financial institution.

If you feel you have the qualities we are looking for, please contact our Treasurer, David Glozier on 01-854 2400 extension 5460 *for an informal and confidential* discussion or send your c.v. to
Alan Burnhams,
Deputy Personnel Manager,
Woolwich Equitable Building Society,
Equitable House, Woolwich,
London SE18 6AB.

Applications are welcome from both men and women.

WOOLWICH
EQUITABLE BUILDING SOCIETY

Appointments Advertising

£41 per single column centimetre and £12 per line
Premium positions will be charged £49 per single column centimetre
For further information, call:

Louise Hunter
01-248 4864
Jane Liversidge
01-248 5205
Daniel Berry
01-248 4782

Company Secretary

with Personnel & Administrative strengths?

Midlands **c£40,000+car, etc.**

My client is the group HQ of a public company with 7000 employees and a turnover of £500 million. This unit, to which this position will report is small, dynamic and demanding. It now needs a lawyer who will play a broad-shouldered role in its present holdings and future acquisitions. This calls for the obvious Secretarial skills, but beyond that a knowledge of and interest in the Personnel and Administration areas. The ideal candidate will be aged 40-45 of graduate calibre, qualified and well exposed to every kind of public company problem. Patience, energy and a sense of humour essential.

Write to me in the strictest confidence, quoting reference 2163, Mrs Indira Brown, Berndtson International, 6 Westminster Palace Gardens, Artillery Row, London SW1P 1RL. Telephone: 01-222 5555.

Experienced Securities Salesmen

A European bank with a Eurobond operation in London is looking for experienced and highly motivated salesmen. Qualified candidates, male or female, should have a solid client base and a broad understanding of the Eurobond market. Experience with equities, convertibles and other instruments will be considered an asset. Compensation package will be negotiable according to experience.

Apply Box A0297, Financial Times, 10 Cannon Street London EC4P 4BY

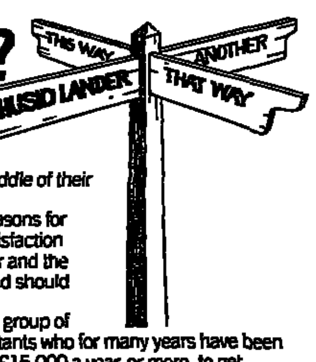
Top Executives

earning over £25,000 a year

Can you afford to waste over £2,000 a month in delay? Minster Executive specialises in solving the career problems of top executives. The Minster programme, tailored to your individual needs and managed by two or more partners, is your most effective route to those better offers, 75% of which are never advertised.
Our clients have an impressive record of success; many blue chip companies retain our services in the redeployment of their top people.
Telephone or write for a preliminary discussion without obligation—or cost.

MINSTER EXECUTIVE LTD
28 Bolton Street, London W1Y 8HB. Tel: 01-493 1309 / 1085

Are you at the crossroads of your career?



Very often, executives and other professional people contemplate *a change right in the middle of their career.*

Most often their reasons for this are a general dissatisfaction with their present career and the belief that they could and should be doing better.

Chusid Lander is a group of specialist career consultants who for many years have been helping people earning £15,000 a year, or more, to get better jobs – whether they are currently in a job, unemployed or facing redundancy.

We have turned pessimism into optimism, failure into success and jaded Executives into highly successful people earning very much more – and we can prove it.

For many years, we have been guiding people in the right direction – now it's *your* turn!

Telephone us to arrange a confidential, personal assessment without obligation, or write to:
The Administrator, Chusid Lander, Ref: G1/11/1
35/37 Fitzroy Street, London W1P 5AF – enclosing a brief career summary.

LONDON	01-580 6771	MANCHESTER	061-228 0089
BIRMINGHAM	021-643 8102	NOTTINGHAM	0949 37911
BRISTOL	0272 22367	GLASGOW	041-332 1502
BELFAST	0232 621824		

CHUSID LANDER

EUROPEAN CREDIT OFFICER

£16,000

This leading Merchant Bank is currently expanding their European department and requires graduates with one to three years' International Banking experience.

You should be fluent in one of the major European languages and have particular expertise in Credit Analysis together with a proven trade record on client accounts. Candidates must be able to demonstrate a flair for new business while maintaining new product development on existing portfolios. Some foreign travel will be necessary.

For further information call
Mike Bundell Jones
or send c.v in confidence to
13/14 Great Saint Thomas Apostle
LondonEC4V 2BB

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FINANCIAL TIMES
Wednesday November 5 1986

Union Carbide in $2.5bn plan to reduce debt

BY WILLIAM HALL IN NEW YORK

UNION CARBIDE, the US chemicals group, has announced a $2.5bn recapitalisation plan in a bid to reduce its onerous debt burden which it inherited in order to defeat an unwelcome takeover at the beginning of 1986.

The first step of the recapitalisation plan will begin this week with a tender offer to purchase all of the $2.5bn principal amount of securities issued under its January 1986 exchange offer which bear interest at a weighted average of 14.2 per cent.

Union Carbide also plans to raise $500m through a public underwritten domestic and international offering of 25m shares. First Boston will lead-manage the US underwriting and Morgan Stanley will be co-manager. Credit Suisse First Boston will lead-manage the international underwriting and Morgan Stanley International will co-lead manage it.

The company says that the refinancing plan is "designed to significantly reduce the corporation's debt and interest expense, strengthen its financial condition, and increase the ability to pursue future growth opportunities free of restrictive indenture covenants without earnings dilution."

The news of the refinancing plan came as no great surprise to most Wall Street analysts, several of whom have argued that the company needed such a plan if it was to survive over the long term. The group's interest expense of $410m in the first nine months of 1986 overshadows its pre-tax earnings from continuing operations of $185m.

Union Carbide's capital structure is highly leveraged with debt following the successful defeat of the unwelcome takeover bid from Mr Saul Heyman's GAF corporation earlier this year. The company estimates that on completion of the refinancing, its debt to total capital ratio will drop to 65 per cent, which is still relatively high according to some Wall Street analysts.

As a first step in its refinancing, Union Carbide will borrow funds under a medium-term bank credit agreement. It is also planning to raise finance under a bridge loan facility being arranged by First Boston and possibly a private placement of senior, unsecured notes.

Union Carbide shares fell by $⅝ to $21¼ in early trading yesterday.

Akzo earnings fall as $ weakens

By Laura Raun in Amsterdam

AKZO, the Dutch chemicals and fibres group, said its earnings slipped 3 per cent to Fl 632m ($271m) in the first nine months from Fl 651m a year earlier on the weak dollar and high start-up costs of its new super-strong fibre.

But Mr Syb Bergsma, the member of the board in charge of finances, yesterday repeated the company's prediction that profits for all of 1986 would be close to last year's Fl 843m.

Akzo, like many companies in the chemicals industry, wants to diminish its vulnerability to cyclical swings, dollar volatility and oil price bounces by moving from bulk to special products.

Sales tumbled 12 per cent to Fl 11.8bn in the first nine months from Fl 13.5bn in the year-ago period, also due to the lower dollar and divestitures. Lower finance charges, resulting from lower interest rates and the company's healthy finances, kept profits from falling more than the modest 3 per cent.

Akzo derives almost two-thirds of its sales from abroad, much of which are subject to the dollar exchange rate. Turnover was also trimmed by the disposals earlier this year of American Enka, the synthetic-fibre subsidiary, and to a lesser extent Romi, a Rotterdam margarine company.

Operating income was flat at Fl 1.1bn in the January-September period as a decline in chemical products and pharmaceuticals was offset by a rise in synthetic fibres, coatings, consumer products and miscellaneous products.

In the third quarter, net income rose a modest 2 per cent to Fl 195m despite a 14 per cent plunge in turnover to Fl 3.7bn because of better profit margins following the move toward special fibres and chemicals.

One of the most dramatic efforts is Akzo's new fibre called Twaron, which is extremely strong, light and heat-resistant and used in aviation, cars and sporting goods. The company previously estimated start-up costs at Fl 1bn, including a long and vitriolic patent battle with Du Pont of the US and delays in initial production, which began recently.

Mr Bergsma said an out-of-court settlement with Du Pont was ruled out for the moment because of differences over "money" to be paid for the patents.

Akzo plans two joint ventures with Kollmorgen of the US in the area of electronic materials and systems. Expected turnover of a "few hundred million guilders" annually also is in line with Akzo's aim of restoring US sales following the divestiture of American Enka.

Akzo is also bidding for the paint operations of Brink Molyn, a Dutch coatings company

Akzo declared an unchanged interim dividend of Fl 1.50 a share.

Andrew Fisher in Frankfurt talks to the chairman of the West German group

Hoechst to raise takeover capital in US

HOECHST, the big West German chemical group, yesterday threw some more light on the reasons for its proposed $2.85bn takeover of Celanese of the US which it said would be mostly financed on the US capital market.

Mr Wolfgang Hilger, Hoechst chairman, said the US company was "a healthy, highly profitable and, above all, excellently managed business." The purchase would strengthen Hoechst's own long-term profits potential without weakening near-term earnings.

As well as increasing Hoechst's activities in the sectors in which Celanese operates – especially in engineering plastics, where capacity is being increased – the agreed bid would extend the German company's interests in the US, where it was under represented.

Mr Hilger also reviewed the progress of Hoechst in the first nine months of 1986, during which worldwide sales and profits slipped. The weakening of the dollar and lower product prices, influenced by the fall in the oil price, were mainly responsible. World sales fell 12 per cent to DM 28.6bn ($14.3bn) and pre-tax profits by 1.9 per cent to DM 2.3bn.

He said that about 40 per cent of the funds for the Celanese acquisition would come from Hoechst's own resources, with the rest raised in the US. At the end of last year, the German group had DM 1.2bn worth of liquid assets, which had been increased by DM 883m through this year's capital increase.

Both companies, Mr Hilger said, had been considering how Hoechst could best use the technical knowledge of Celanese in advanced technical plastics, which the latter is making or preparing to make in the US. Hoechst had the Western European, including German, markets in mind for these and for technical fibres.

"We came in the end to the conclusion that this could best be achieved through the takeover of Celanese," he said. "It is a so-called friendly takeover."

Asked if the price was not too high since Celanese shares had risen sharply, he said it was in line with the general range of prices normally paid for acquisitions in this sector. Hoechst did not own any Celanese shares but there was usually a 10 per cent price premium in such an agreed deal.

He described the Hoechst tender offer, priced at $245 a share, as "a big step in the future" for the German group. The US was the world's largest chemical market, but had not assumed nearly enough significance for the whole concern. Hoechst's US turnover was $1.7bn in 1985 with a trend in 1986.

Also, the US had a potential for sales of Hoechst products which were now successful in Europe that could not yet be taken advantage of. The entry barriers in this market were considerable, he said. The US was the leader in many research areas, with Celanese offering an excellent start with its development potential in technical fibres and high performance materials.

Celanese invested $159m last year and also spent $103m on research and development. The US company was also involved in long-term projects and problems of basic research through venture capital firms and stakes in successful new technology companies.

Noting that half of Celanese's turnover came from fibres, he said it was an efficient and innovative producer of fibres and filaments from polyester for textiles. The US concern was also the biggest US supplier of technical polyester filaments, a sector which was less cyclical than textiles and showed good growth.

Hoechst itself had built up its production of polyester fibres for technical applications considerably in the past few years but was not active in the US on this front. He said the fibre businesses of both companies were an excellent fit.

Celanese also obtained 40 per cent of its turnover from chemicals, mainly organic, basic petrochemicals. Celanese had a high capacity in methanol, from which acetic acid and acetic anhydride for cellulose acetate are made, and in formaldehyde.

Mr Hilger said the planned acquisition of Celanese would not affect Hoechst's own capital investment plans of some DM 2.6bn for this year. Of this, DM 1.7bn will be spent in Germany. The takeover would provide Hoechst with expertise that it could use in its home market.

The first nine months for Hoechst brought a 2.1 per cent drop in domestic turnover and one of 15.4 per cent abroad. The size of the fall in foreign sales was DM 3.75bn, of which over DM 2.2bn was currency related.

For the parent company alone, turnover was down by 8 per cent to DM 10.7bn. Operating profits of the parent also fell but lower pension and early retirement costs meant that pre-tax profits ended up 4.5 per cent higher at DM 1.27bn.

For the final quarter, Mr Hilger said he did not expect any improvement in the overall profits position. Last year, Hoechst raised world profits by 10.7 per cent to DM 3.2bn on sales 3.1 per cent higher at DM 42.7bn.

● Yesterday's article "Hoechst signals strategy shift" stated that Celanese of the US had an option to buy a stake in Novo, the Danish drug company. Celanese's links are, in fact, with Nova Pharmaceuticals of Baltimore, US.

WALL STREET WELCOMES $2.8BN BID FOR CELANESE

WALL STREET has welcomed Hoechst's $2.8bn offer for Celanese and the US credit rating agencies have reacted positively to the move which is somewhat unusual given the magnitude of the deal for both the West German parent company and its US subsidiary, writes William Hall in New York.

Standard & Poor's, the US credit rating agency, says that Hoechst's US subsidiary emerges with a larger capital base and that concerns over the product mix of both companies are mitigated by the proposed combination.

On the other hand, the financial conservatism which supports the existing Celanese ratings will no longer apply, says S & P, which notes that Hoechst employs more financial leverage at both the group and US subsidiary levels and the cost of the acquisition will add to their debt burden.

Mr Christopher Willis, an analyst with E.F. Hutton, the US brokers, said yesterday that the US market has long been a good growth area and the Europeans "have been eager to get into it." He said Hoechst was taking advantage of a weaker dollar to expand its US market share.

The Hoechst deal makes "a fair amount of sense," said Mr Willis yesterday, noting that the US fibre market was under siege and the combination of the two companies would make the new entity more attractive.

Conrail falls ahead of public share offer

BY CHARLES HODGSON IN NEW YORK

CONRAIL, the US state railroad company due to be privatised early next year, has reported a drop in net third-quarter earnings to $107m or $3.82 a share compared with $121m or $4.38 a share in the year-ago period.

Revenues were down at $765m against $784m.

For the nine months, Conrail, which is 85 per cent owned by the US Government, showed net income of $312m or $11.10 per share against $330m or $11.96 per share last year.

Nine month revenues were $2.25bn against $2.43bn.

Conrail's results for the first nine months have been audited in anticipation of the filing of a registration statement with the Securities and Exchange Commission in connection with the public offering of Conrail stock.

Last year, Conrail reported profits of $422m on revenues of $3.2bn.

Congress is hoping to raise $2bn from the sale of Conrail, making it one of the largest public stock offerings in Wall Street history. About $1.7bn of this total will come from the sale of the Government's 25m shares and the balance will be paid by Conrail in exchange for forgiveness of debt held by the state. The sale is expected to generate between $80m and $90m in underwriting fees.

Under the terms of the Conrail sale legislation signed by President Ronald Reagan on October 21, the US Transportation Department has until November 20 to select between four and six co-lead managers to underwrite the sale. Interested investment firms were given until November 3 to submit proposals.

Goldman Sachs, which until recently acted as the Transportation Department's adviser in the negotiations to sell Conrail, and Morgan Stanley, which acted for Conrail, are emerging as frontrunners to lead the sale.

There remains some doubt as to whether the sale will raise the anticipated $2bn. Congress attached tougher tax treatment to the sale than Conrail or the Administration had sought, making the sale price the basis for depreciating the railroad's assets and thereby reducing the tax benefit to new owners.

The sale would end 10 years of government stewardship of the railroad, which was formed in 1976 by Congress from the bankrupt Penn State and half a dozen other failed or failing railroads to preserve rail freight lines in the north-east and mid-west. The balance of Conrail shares is held by its employees.

An earlier plan to sell Conrail to the Norfolk Southern Railway Company failed in August when Norfolk withdrew its $1.9bn offer.

Cables de Lyon plans more acquisitions

By David Thomas in London

CABLES DE LYON, the cable subsidiary of Compagnie Générale d'Electricité of France, was expecting to make further acquisitions in addition to its merger with the cable and optical fibre interests of ITT of the US.

The two companies said the merger, which was announced on Monday, would create the world's largest cable manufacturer.

However, Mr Gilles Dupuy D'Angeac, joint managing director of Cables de Lyon, said in London yesterday that Cables de Lyon expected to continue to grow through acquisitions. Its acquisitions this year had included companies in France, Belgium and Australia.

Mr D'Angeac also said that savings on overheads in its fibre optic operations would result from its merger with ITT.

The merged companies would be able to concentrate their research and development and plan their investment in fibre optics more effectively.

ITT has a fibre optic plant in the US. Cables de Lyon has two factories making optical fibres in France and plants making fibre optic cable in France, West Germany and the US.

Grumman hit by downturn in aerospace unit

GRUMMAN, a leading US producer of military aircraft, has suffered a further deterioration in earnings with higher profits from electronics failing to offset a downturn in its aerospace division, writes Roderick Oram in New York.

Although net profits for the three months ended September 30 were $15.9m, or 46 cents a share, the year-earlier figure of $8.3m, or 24 cents, included a $30m charge for redesigning and repairing a landing-gear bulkhead on F-14 aircraft. Sales expanded 12.8 per cent to $875.7m from $775.9m.

Year-to-date, net profits fell 7.7 per cent to $53.9m, or $1.60 a share, from $58.4m, or $1.89, on sales ahead 13.4 per cent to $2.57bn from $2.27bn.

Aerospace profits fell $18.6m in the third quarter reflecting lower contract prices, higher than expected costs and the phase-out of the company's successful F 111A programme. Net profits of the electronics systems division rose 41 per cent, or $15.9m.

Grumman repeated its warning that technical problems on the F-14D and A-6F aircraft development programmes could significantly affect programme costs and schedules as well as the performance of the aircraft.

Rio Algom raises earnings in quarter

By Kenneth Marston, Mining Editor, in London

RIO ALGOM, the Rio Tinto-Zinc group's Canadian mining arm, earned C$21.1m (US$15.2m) in the third quarter compared with C$20.12m a year ago. The total for the first nine months of the year was C$69.3m, or C$1.57 a share, against C$66.2m in the year-ago period.

Mr George Albino, the chairman, said the better performance reflected higher earnings at Atlas Stainless Steels, Atlas Specialty Steels, the Lornex copper-molybdenum mining operation and increased investment income.

Ralston Purina lifts profits 51%

BY OUR NEW YORK STAFF

RALSTON PURINA, the world's largest pet food producer, reported a 51.6 per cent increase in net profits in the year ending on September 30 to $388.7m or $5.06 per share against $256.4m or $3.15 a share in 1985.

Net sales rose to $5.5bn from $5.3bn for the fourth quarter. The company showed net earnings of $90.8m or $1.18 per share against $58.9m $0.73 per share in the final quarter of 1985.

Ralston's results include sales and earnings of the Eveready Battery company since its acquisition in June this year as well as sales and earnings from Purina Mills, sold after the end of the company's financial year.

The results also include a net gain of $125.1m, mostly from the disposal of discontinued restaurant operations leaving earnings from continuing operations at $263.8m. Last year earnings from discontinued operations of $26.5m left income from continuing operations at $229.9m.

A spokesman for the company said that operating earnings for each of the company's divisions were ahead of last year's results,

Ralston, which had a 28.9 per cent share of the US pet food market in 1985, recently lost a takeover battle with Quaker Oats for the Clayton foods company.

UBS aims to boost foreign growth

BY JOHN WICKS IN ZURICH

UNION BANK of Switzerland was "willing and able" to strengthen its presence abroad, Dr Nikolaus Senn, executive board president, said in Zurich yesterday.

More of the bank's business operations were being conducted "in and out of foreign bases," he said. UBS now ranked among leading foreign banks in major financial centres.

While the bank retained its strong home base in Switzerland, growth potential was greater abroad, he said. This expansion would be centred on wholesale, capital-market and stock-exchange activities.

This seems to indicate that, although the bank expects only a slight increase in the foreign share of the balance-sheet total – traditionally about 50 per cent – more non-interest business will be accounted for outside Switzerland.

Dr Senn said the bank expected "another gratifying result" for this year as a whole. In the third quarter, interest earnings had been affected by narrow margins and the further decline of the dollar. Income from securities business was not quite up to the record levels of the two first quarters though profits from foreign-exchange trading had continued to increase.

After generally good results for the first nine months, he said business had continued briskly in all sectors. He added that experience proved that the fourth quarter tended to bring a further rise in volume in individual operational areas.

The bank expects a further strengthening of its London operations where UBS Securities is already one of the leading Euro-underwriting companies. The bank's controlling stake in Philips & Drew means that the bank had "nothing to fear from our competitors" after the Big Bang.

The Frankfurt subsidiary, formed this year, is said to have gained a firm foothold and is implementing a rapid building and development programme.

General manager Mr Robert Studer said that outside Europe UBS was "in an expansion and investment phase" in the capital-market and securities business. It also intends to strengthen its foreign-exchange trading in New York. In the commercial lending sector, general manager Mr Hans Heckmann said local currency volume had in recent years been increasing at between 15 per cent and 20 per cent a year.

In Montreal the bank's representative office was last week upgraded to a full branch of UBS Toronto.

General manager Mr Mathis Cabiallavetta announced that an Australian merchant bank would be opened next February. This subsidiary – which would concentrate on credit, investment, banking and treasury operations – would start "modestly"

In Tokyo the bank has recently "forcefully expanded" its foreign-exchange trading in recent months. In addition to this and commercial-lending activities, UBS and Philips & Drew are now licensed to operate in the most important sectors of the securities business.

"We are fully aware that the road to success in Japan is a bumpy one," said Dr Senn. However, the bank had already formed excellent links with Japanese companies and institutions.

INTL. COMPANIES AND FINANCE

BankAmerica spurns takeover bid

BY WILLIAM HALL IN NEW YORK

BANKAMERICA, the embattled US west coast banking group, has rejected First Interstate Bancorporation's $3.4bn unsolicited takeover offer and says that it wants to give its new management team time to address the group's problems.

In a carefully worded statement, BankAmerica said yesterday that it was asking First Interstate Bancorp and "others who have indicated an interest in discussing extraordinary transactions" to withdraw their proposals pending the completion of an intensive review of BankAmerica's strategic plans that is now being conducted by its senior management with the assistance of Salomon Brothers.

"The board, after consultation with management and with the advice of its investment banking advisers, is aware of nothing that would justify a decision to merge the bank at this time," said Mr John Beckett, who heads BankAmerica's executive committee and is a retired chief executive of Transamerica Corporation and a leading San Francisco businessman.

First Interstate, which last week offered to buy BankAmerica for $22 a share, said yesterday that it was disappointed by BankAmerica's response and was reviewing all its options, which included proceeding with a contested takeover bid.

Mr Beckett said that the new management team headed by Mr Tom Clausen was conducting "an exhaustive assessment" of the bank's strategic plans and prospects. The focus of these studies is to determine the most appropriate method of enhancing the corporation's profitability and achieving long-term shareholder values.

"A decision with respect to mergers or major capital infusions prior to the completion of that assessment would be inappropriate," he said. As a result BankAmerica was asking First Interstate and others to withdraw their proposals. "We do so as friendly responses to friendly proposals," said Mr Beckett, who stressed that the group was not "rejecting the First Interstate or any other proposal at this time.

"When our evaluations are complete, if it then appears desirable to explore a merger with First Interstate or others or a major capital infusion, we would expect to conduct those negotiations in the manner appropriate to one of the world's leading financial institutions."

Eastman Kodak earnings rise 7% in quarter

BY CHARLES HODGSON IN NEW YORK

EASTMAN KODAK, the world's largest maker of photographic products, reported improved third-quarter earnings and sales.

Net earnings rose 7 per cent to $263m, or $1.17 a share, from $246m, or $1.09 a share, in the same period last year. The latest figures include a pre-tax charge of $128.7m to cover the cost of cuts in the company's workforce and other restructuring.

Sales for the period were 8 per cent higher at $3.48bn, up from $3.23bn in the 1985 quarter.

The company reported a $12.2m loss in the second quarter, after charges of $168m to cover restructuring costs.

The improved third-quarter figures still left nine-month net earnings sharply lower than last year. Despite a 9 per cent improvement in sales to $8.52bn, net profits for the nine months were 43 per cent lower at $299.4m, or $1.33 a share, compared with $525.6bn, or $2.31, last year.

INTERNATIONAL COMPANIES and FINANCE

IHI passes midterm dividend

BY YOKO SHIBATA IN TOKYO

A BIG loss is forecast for this year by Ishikawajima-Harima Heavy Industry (IHI) following a steep dive into the red for the six months, ended September 1986.

On lower turnover, the group has turned from a pre-tax profit of Y8.8bn to a loss of Y13.2bn ($80.5m) for the half-year. It is passing its interim dividend.

The net loss is Y12.8bn against a net profit of Y4.04bn. IHI paid Y2.00 per share as an interim dividend last year.

Half-year sales declined by 8.9 per cent to Y373.43bn. The decline was attributed to the absence of orders for large-scale projects from electric power companies.

Sales in the onshore division, including boilers, nuclear power plant and multipurpose machines, fell by 4 per cent to account for 73 per cent of total turnover. Sales of aircraft engines fell 9 per cent but shipbuilding turnover rose 10 per cent.

Orders received for shipbuilding and in the onshore division declined by 60 per cent and 37 per cent respectively during the half year.

The six-month loss was blamed on the delivery of loss-making ships, deteriorating export profits and losses from forward contracts. IHI's operating loss was Y8.17bn, against a profit of Y8.91bn.

For the current half year, losses are expected because of price reductions and possible project cancellations. Other negative factors will be increased fixed expenses due to lower order receipts and the appreciation of the yen.

As a result, IHI is expecting to suffer a substantial loss in the current half year, against pre-tax profits of Y13.17bn reported in the second half of last year.

Streamlining efforts, including the laying off of 7,000 shipbuilding workers are underway, but the company is unlikely to break even before 1987-88.

The company is to invite applications for voluntary retirement to carry out a 30 per cent cut in its workforce as a means of riding out the prolonged shipbuilding slump. The reductions in personnel will be completed by the end of the year.

Southern Sun sinks into the red

By Jim Jones in Johannesburg

THE RELUCTANCE of South Africans to spend on anything but essentials has pushed Southern Sun, the country's largest hotel chain, into an interim loss. Room occupancies dropped to 52 per cent in the six months to September from 55 per cent in the corresponding period of 1985.

Though first-half turnover rose to R115.7m ($50.5m) from R103.1m, the group suffered an operating loss of R1.28m before tax and interest against a profit of R7.92m last year and the pre-tax loss increased to R6.29m from R1.64m. Turnover totalled R223.9m in the year to March 31 1986, operating profit was R15.02m and pre-tax profit R223.000.

An interim dividend has not been declared as there was a first-half loss of 8.4 cents a share. Last year first-half earnings were 1.4 cents a share but an interim dividend was not paid. A final dividend of 3 cents was declared from full-year earnings of 4.4 cents a share. South African Breweries owns 68.4 per cent of Southern Sun's equity.

Nippon Oil misses profit target

BY OUR TOKYO STAFF

NIPPON OIL, Japan's largest oil refiner and distributor, has reported pre-tax profits of Y14.19bn ($86.5m) for the half year ended September, 1986, a turnround from a deficit of Y7.23bn a year earlier.

The recovery was attributed to lower crude oil prices, the yen's sharp appreciation, rising financial income and bigger dividend payments from its subsidiaries.

However, the results failed to match forecast pre-tax profits of Y20bn. Since that estimate was made, Nippon Oil has been hit by sinking oil products prices, notably gasoline. For example, the price of fuel oil C in September was 67 per cent lower than its level 12 months earlier.

Volume sales gained slightly by 0.4 per cent. Sales of gasoline, kerosene and gas oil advanced. Fuel oil C and crude oil sales dropped.

Nippon Oil took in foreign exchange gains of Y7bn as a result of the yen's appreciation and Y7bn accrued on financial transactions.

For the full year turnover is expected to reach Y1,800bn, down 37 per cent from the previous year but Nippon Oil says pre-tax profits should total Y35bn, up 55 per cent.

However, the company intends to peg its dividend at Y6 per share including a Y3 interim dividend.

Fletcher plans Chilean venture

BY OUR FINANCIAL STAFF

FLETCHER CHALLENGE, the New Zealand industrial and forest-products company, plans a joint venture with Compania Manufacturera de Papeles y Cartones of Chile.

The New Zealand company will invest $50m in the venture, which will own about 36,000 hectares of mainly Radiata pine in the Concepcion area, and a paper mill producing 74,000 tons of newsprint and directory paper for South American markets.

Fletcher Challenge operates New Zealand's only newsprint mill and has a wholly-owned lumber and paper-products subsidiary, Crown Forest Industries, based in British Columbia, Canada.

The investment in Chile follows a move into the country earlier this year by Carter Holt Harvey, another big New Zealand forest products group.

Fletcher Challenge said it was in both countries' interests to have a strategy aimed at developing a strong position for Radiata pine on world markets before large volumes became available from New Zealand forests in the late 1990s.

Fletcher Challenge, which is by far the biggest industrial company in New Zealand, has made a number of foreign acquisitions in recent months following a NZ$224m (US$113m) rights issue earlier this year.

It acquired an 80 per cent shareholding in Pacific Construction, a big Hawaiian building group, in September.

Chairman appointed at troubled Cairo bank

By Tony Walker in Cairo

A NEW chairman has been appointed to Arab African International Bank (AAIB), the troubled Cairo-based bank, following the resignation of Mr Ebrahim el-Ebrahim who was both chairman and chief executive.

AAIB, which is jointly owned by the Egyptian and Kuwaiti financial authorities, made a loss of $96.2m in 1985, largely because of bad loans in the Gulf and in Sudan.

Mr Ali Abdul-Rahman al-Bader of Kuwait has been appointed chairman. He is general manager of Kuwait Real Estate Bank and director of several Gulf banks, including the Industrial Bank of Kuwait. No announcement has yet been made of a new chief executive for AAIB.

Mr Ali Negm, the Egyptian central bank's governor, has announced the establishment of a committee to study ways in which commercial banks can operate more flexibly in a less controlled foreign exchange environment.

Under pressure from the IMF, Egypt is considering reforms of its multi-tiered exchange rate system to reduce the number of competing rates. Banks and foreign exchange traders may be permitted to deal in an "open" hard currency market.

The central bank presently seeks to control the allocation of foreign exchange through a centrally administered pool, but a huge "grey" hard currency market operates outside the control of the financial authorities.

First-half setback for Tisco

By R. C. Murthy in Bombay

PRE-TAX profits of Tata Iron and Steel Company (Tisco), India's leading private sector company, fell by more than 50 per cent in the half year to September from Rs 685m to Rs 305.6m ($24m).

Production of steel was up some 4 per cent to 850,000 tonnes and sales increased by 15 per cent to Rs 6.10bn from Rs 5.33bn.

Mr Russi Mody, Tisco's chairman, said the sharp fall in profits was due to the interruption in normal power supplies, which affected production of finished products.

The chairman says the company continues to be financially and operationally strong, leading analysts to believe that Tisco will be able to make up for the downturn in the second half.

The company increased its dividends by 4 percentage points to 25 per cent last year and has proposed a two-for-five scrip issue and a one-for-three rights issue at Rs 400 per share. The government is yet to approve the issues.

Grundig sets up PC sales network

HOUSE OF COMPUTERS (Hoc), a wholly-owned subsidiary of Grundig, aims to have a network of 50 retail outlets selling personal computers in West Germany within the next three years.

Mr Peter Maslowski the managing director said HoC planned to open a further 10 stores next year, Reuter reports from Munich.

The outlets are run as franchises and sell personal computers made by International Business Machines (IBM), Siemens AG, Hewlett-Packard and Apple. Grundig, controlled by Philips Gloeilampenfabrieken, set up HoC last year.

● Karstadt, the big German retail chain, increased profits in the first nine months of 1986 and expects the higher trend to continue until the end of the year as long as Christmas sales are satisfactory.

The profit rise, which the company did not specify, came despite the costs of Karstadt's restructuring programme.

The group's loss-making Neckermann Versand mail order subsidiary should see a marked improvement in earnings, while NUR Touristic should make a profit after net losses of DM 4m ($1.9m) in 1985.

Karstadt's group turnover in the first nine months totalled DM 6.33bn, up 3.7 per cent from the same period of 1985.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Alexander Nicoll on suggested adequacy rules for global equity traders

Isro proposes 10% capital ratio

INTERNATIONAL securities firms operating in London are proposing that, under Britain's new investor protection law, the minimum capital requirements placed on them for equity trading should be far lower than in North American markets.

The proposed requirements, outlined on Monday by Mr Jonathan Agnew, chief executive of the International Securities Regulatory Organisation (Isro), would also generally set required capital below the somewhat rough-and-ready yardsticks currently operated by the London Stock Exchange.

Isro's suggestions are based on historical analyses of the volatility of 16 stock markets around the world and are still subject to detailed discussion with the Securities and Investments Board, the umbrella regulatory body, and the Bank of England.

Capital requirements represent one of the most important effects for the Euromarkets of Britain's Financial Services Bill which is due to receive Royal Assent this week.

Many Euromarket firms have up to now not been subject to them, nor indeed to any UK regulation. But under the new regime all firms carrying on investment business in Britain will have to seek authorisation from a self-regulatory organisation (SRO), which will monitor their capital adequacy.

Isaro, which was to be an SRO and now plans to merge with the Stock Exchange to form a unified body, has had a large team of practitioners working on capital adequacy since the spring.

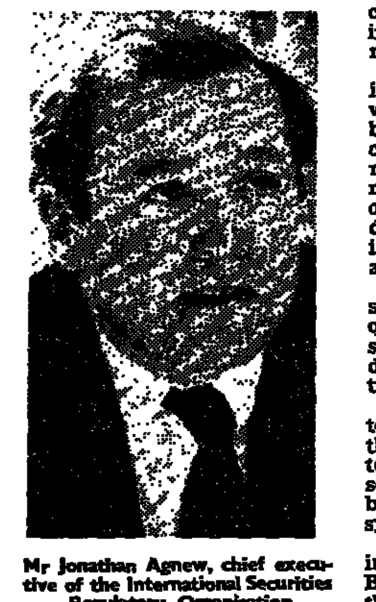
The methodology underlying its proposals, and some of the proposals themselves, appear to have been basically agreed with the SIB, which is expected to publish its plans for capital requirements within the next week. Some, however, are recommendations which reflect the Euromarkets' desire not to be unduly hampered by the new legislation.

Isro has repeatedly argued that over-regulation could drive some international business out of London. Mr Agnew said the approach of both the SIB and Isro has been to permit firms in the UK to be internationally competitive and to devise a system which was simple to administer as well as permitting flexible and efficient use of capital.

Mr Agnew, who said Isro has in principle agreed SIB's format for capital adequacy regulation, described it as follows: "The basic rule in the UK will be that approved (liquid) assets less effectively all liabilities, other than subordinated loans, must be greater than, or equal to, the minimum liquid capital requirement."

The minimum liquid capital requirement itself is the sum of two parts: on the one hand, a measure of required working capital, and on the other the capital necessary to support securities positions—called a "haircut" in the US.

It is to assess the latter that Isro has brought in the statisticians. The capital needed to support securities positions depends on how volatile their prices are likely to be, so the volatility of 16 stock indices has been measured. Capital rules are then worked out with the aim of capturing as much as is reasonably possible of price volatility—Isro is recommending 95 per cent.



Mr Jonathan Agnew, chief executive of the International Securities Regulatory Organisation

The outcome is that firms would have to keep capital representing less than 10 per cent of their equities position in all of the countries it assessed. This compares with a 30 per cent "haircut" in the US and 50 per cent in Canada.

In London the current basic requirement is 10 per cent. This was introduced ahead of last week's expansion, at Big Bang, of the number of market-making firms taking position risk. Since Isro and the Stock Exchange plan to merge, the two would have to reconcile their systems.

The equity haircut would rise under Isro's plans if a firm did not hold a sufficient spread of shares contained in the relevant country index, and would fall if it held a sufficient spread in more than one country.

On bond requirements, Isro is so far being less specific, with more work remaining to be done. One side effect here could be to boost the role of rating agencies in the Euromarkets since there is no other obvious yardstick by which to determine relative credit risks in order to offset one position against another.

The desirability of such offsets to reduce the capital requirement could also provide stimulus to current attempts to develop a Eurobond futures contract.

Isro is proposing concessions towards the primary market so that lead managers are able temporarily to take on large securities positions when they buy a deal which they will then syndicate.

Isro argues that it is crucially important that the SIB and Bank of England agree that the capital adequacy system operated by SROs should also be applied by the Bank of England in its capacity as the lead regulator of banks which may also trade securities. If the systems were not the same, one type of firm — probably banks — would probably be disadvantaged.

It is also unclear whether the SIB will allow UK branches of foreign firms to operate under the capital adequacy rules of their own home regulator rather than their UK SRO.

Overall, however, one effect of the new law will be that some Euromarkets firms — apart from having to monitor and report their capital — will have to bring capital into the UK instead of relying on the foreign capital base of their parent group.

Samuel Montagu team defects to BZW

By Peter Montagnon, Euromarkets Correspondent

THE COMPETITION between UK clearing banks to establish themselves in the new-style securities debt markets took a new twist yesterday when Barclays de Zoete Wedd (BZW) lured seven Eurobond traders away from Samuel Montagu which is owned by rival clearer Midland Bank.

BZW said it had hired Mr Alan Reid as the new head of trading in its international capital markets division. Leaving Samuel Montagu with him were four fixed-rate dollar bond traders and two sterling bond dealers.

The move will create at a stroke a strong fixed-rate Eurobond dealing capacity at BZW which has up till now had only a very small presence in this sector of the market.

Mr Ken Green, head of international capital markets said: "Essentially this will give us a very full coverage across the Euro-sterling and Eurodollar sectors." However he added that BZW still needed to build up its strengths in the D-Mark and floating-rate note market.

Mr Chris O'Malley, executive director of Samuel Montagu and head of bond sales, said the departures were a setback for his firm, but it would be temporary and not unduly serious. "We have resources within the group though it will take some months to rebuild."

He noted that none of Samuel Montagu's sales team had left. The bank also still had three dealers of fixed-rate bonds and its five-strong floating rate team was intact. Samuel Montagu still had a commitment to both the secondary and primary market, he said.

Mr Green said that a main purpose for BZW had been to recruit a strong head of trading and it had not set out deliberately to recruit a whole team. Mr Reid had been in charge of trading at Samuel Montagu for about three years, having worked before for Morgan Stanley, the US house.

Though no one was prepared to give any details, it is understood that monetary incentives played a major part in the team's decision to move. Mr O'Malley said there was no question of morale problems at Samuel Montagu which, unlike other banks, had lost virtually no sales and trading staff in the last 18 months.

MMI warrant from Morgan Stanley

By Our Euromarkets Staff

MORGAN STANLEY has devised a new form of equity index warrant based on the Major Markets Index of 20 leading US shares sponsored by the American Stock Exchange in New York.

A total of 1.2m warrants is being issued internationally, with an exercise price, to be determined within the next five days, "at the money," meaning it will be at the same level as the MMI. On Monday, the MMI closed at 360.59.

Holders of four warrants will have the equivalent of one unit of the index. The warrants will be priced at around $20 each, according to Morgan Stanley, assuming a 22 to 25 per cent premium to the index.

The new instruments' appeal, compared with established stock index futures and options, is their three-year maturity.

Covered warrants for Zurich insurer

By John Wicks in Zurich

IN THE SECOND transaction of its kind within a few days, Swiss Bank Corporation has announced the issue of warrants exchangable for registered shares of Zurich Insurance Company.

Similar "covered warrants" had been placed at the end of last week by Bank Zurich in respect of registered shares of Ciba Geigy, the Basle chemical company. They met with an immediate positive response on the market, being subscribed several times over.

The SBC placement is of 25,000 warrants, each of which enables the purchase of a Zurich Insurance registered share at a price of SFr 3,500. A corresponding pool of 25,000 shares has been deposited with the bank.

Warrants are priced at SFr 700 each and can be converted at any time between December 1 of this year and August 30, 1990. Yesterday, the market price for a Zurich Insurance registered share was SFr 3,400. Like Ciba-Geigy, the insurance company is seen as promising a marked rise in its share price in the coming years.

Prices edge lower but issuing activity livens

BY HAIG SIMONIAN

ANOTHER QUIET day in the market with prices edging lower was livened up by some healthier new issuing activity. Again, markets were waiting clearer word from the US Treasury auctions.

Morgan Stanley International brought Banca Commerciale Italiana in $100m 7⅛ per cent five-year issue, priced at 100¼. Launched at some 95 basis points over US Treasuries of similar maturity, the issue was a shade outside its fees towards the close.

Society for Savings, the Connecticut-based US savings and loan, made its floating rate debut with a collateralised $100m par-priced deal, half of which is being sold initially, with the remaining $50m on tap for up to the next two years. Led by Paribas Capital Markets, the 1991 paper is paying ⅛ percentage point over six-month Libor.

Although it has already come to the market for two previous straight issues, the slightly generous pricing on this floater, reflecting its small opening size, is designed to ensure liquidity, according to the lead manager.

Inspectorate International Finance, the Swiss-based quality control and goods delivery specialists, issued a $60m 3½ per cent 1993 equity warrant bond, led by Swiss Bank Corporation International.

Priced at par, each $5,000 bond is accompanied by 23 warrants offering holders a five-year equity play into the firm's bearer participation certificates (BPCs). Final terms will not be set until November 11, but the borrower's BPCs were trading around SFr 393 to SFr 395 yesterday.

INTERNATIONAL BONDS

Credit Suisse First Boston is preparing a $35m convertible issue for Wyse Technology, a Californian manufacturer of computer peripherals. The conversion price, expected to be fixed today, is expected to represent a premium of not less than 20 per cent of the company's share price. The paper will be priced at par, with a 2001 maturity and a coupon of approximately 7 per cent.

Norway's Christiania Bank is issuing 75,000 2½-year warrants, priced at $15 each. Led by Merrill Lynch Capital Markets, the warrants, exercisable once every quarter, will allow investors to buy into a notional Christiania Bank 7¾ per cent 1994 bond, priced at 100¾. The first exercise date is March 17 1987.

In a busy non-dollar market, Orion Royal Bank led a A$40m 14½ per cent 1990 issue, priced at 101⅞ for Amatil Finance of Australia. The guarantor, Amatil Ltd, is Australia's leading manufacturer of tobacco products and snack foods. The fact that the company is 40 per cent owned by Britain's BAT Industries should help investors over the unfamiliar name, according to the lead manager, and the coupon was seen as relatively generous for a borrower rated AA plus in Australia.

In continuing quiet continental markets, Montreal Trust Company issued a C$50m 10 per cent non-callable 1991 bond, priced at 101½, led by Societe Generale. In West Germany, Commerzbank led a DM40m 2¼ per cent five-year issue with warrants, priced at par, for Marujama Manufacturing, one of Japan's leading farm equipment manufacturers, guaranteed by Fuji Bank. The exercise price will be around 2½ per cent above the closing price of Marujama shares on the Tokyo Stock Exchange on November 11.

Eurofranc market rules eased

BY PAUL BETTS IN PARIS

FRENCH BANKS and the subsidiaries of foreign banks in France will be able to issue bonds in the Eurofranc market from the beginning of next year, the French monetary authorities confirmed yesterday.

The move is aimed at expanding the Eurofranc market as well as removing what had increasingly appeared as an aberration in the market since it was reactivated by the former Socialist administration in April last year.

The Eurofranc market was reactivated for public and private institutions but not for banks. The new measure approved by the French Eurofranc Committee this week will now make it also possible for banks in France to issue Eurofranc bonds as from January 1.

A FFr 500m issue yesterday for Italy's Montedison Finance kicked off the November Eurofranc issuing calendar. Led by Banque Indosuez, the issue was co-led by Banque Nationale de Paris and Caisse des Depots et Consignations.

The monthly Eurofranc calendar, set with the approval of the French authorities, is expected to total between FFr 2bn and FFr 2.5bn this month, according to French bankers.

The 8¾ per cent retractable 15-year issue for Montedison is priced at par, and guaranteed by the Italian chemical company Montedison Indosuez. The issue is expected to be followed by issues from Denmark, a British borrower, and Credit National.

Europaper for Qantas

By Our Euromarkets Staff

QANTAS, the Australian state-owned airline, is to start raising funds in the Eurocommercial paper market. It has mandated Banque Paribas Capital Markets to arrange a $200m programme.

Other dealers in the paper will be BankAmerica Capital markets, Credit Suisse First Boston, Morgan Stanley, Orion Royal and Swiss Bank Corpora- owned, its paper does not carry tion.

Bundesbank opens in New York

BY WILLIAM HALL IN NEW YORK

THE Deutsche Bundesbank has joined the growing number of the world's central banks establishing a presence in New York by opening a five-person representative office to help oversee the management of its $35bn of foreign exchange reserves.

"Given the increasing interdependence of the international financial markets, the Bundesbank sets store by maintaining close contact with market institutions, not least in the light of the investment of its foreign exchange reserves," said Mr Karl Otto Poehl, the President of the Bundesbank, at a brief opening ceremony on Monday evening at the central bank's new offices at 499, Park Avenue.

The Bundesbank says that "a further task of the bank's representative office will be to step up the flow of information between the respective financial centres, the monetary and supervisory authorities there and the Bundesbank."

The West German central bank plans to open an office in Tokyo shortly and says that as a result it will be represented in the two most important financial centres outside Europe. The Bundesbank has a representative attached to the West German embassy in London and has no plans at present to open a similar representative office in the UK.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on November 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7¾ 93	100	†96¾	97¼	0	+0⅛	8.18
Amoco Co. 9¾ 16	200	103¾	104¼	0	0	9.34
Australia Com. 11 95	200	114¼	114¾	+0⅛	+0¾	8.53
Australia Com. 11¾ 00	100	114⅛	114¾	0	+0⅜	9.31
BP Capital 9¼ 94	100	104⅝	105¼	+0¼	+0⅝	8.28
British Telecom 7⅞ 96	250	96⅛	96⅝	−0⅛	+0⅝	8.13
Campbell Soup 10½ 95	100	112	112½	+0⅛	+0⅝	8.47
Canada 9 96	1000	106	106½	0	+1	8.03
Canadian Pac. 10¼ 93	100	109⅝	110	+0⅛	+0⅛	8.75
CEPME 10¼ 91	100	108⅞	109⅜	+0⅛	+0⅝	7.84
Citicorp 8¼ 93	200	98⅛	98⅝	+0⅛	+0½	8.56
Credit Lyonnais 9 91	200	105	105½	+0⅛	+0½	7.51
Credit National 9⅛ 93	150	106	106½	−0⅛	+0½	7.84
Daiwa Securities 2⅝ 91	120	†97½	80	0	+1	11.58
Denmark Kingdom 7¾ 93	250	98¾	99¼	0	+0⅞	7.94
Denmark Kingdom 8¼ 91	300	102⅝	103⅛	−0¼	+0⅝	7.48
Deutsche Bank Fin. 8 98	110	97⅝	98	0	+0⅝	8.32
EDC 8½ 92	100	103¾	104¼	+0¼	+0½	7.55
EEC 8¾ 96	100	101⅞	102⅜	−0⅛	+0⅞	7.92
EEC 8⅞ 91	150	105⅛	105⅝	+0⅛	+0⅜	7.11
EEC 9⅝ 90	350	105⅞	106⅜	+0⅛	+0¼	7.65
EIB 10¼ 94	200	111	111½	0	+0½	8.28
EIB 12 95	200	123⅛	123⅝	+0⅛	+0½	8.87
Eurofima 7¾ 91	100	101⅞	102⅜	+0⅛	+0⅝	7.25
Export Dev. Cpn. 10 90	100	109	109½	0	+0⅝	7.08
Finland 7½ 93	200	98⅛	98⅝	+0⅛	+0⅝	7.81
Ford Motor Cred. 10½ 91	150	109⅞	110⅜	+0⅛	+0½	7.97
Ford Motor Cred. 11⅜ 90	100	109⅞	110⅜	0	+0⅝	7.73
Gen. Elec. Cred. 10¼ 00	200	107⅛	107⅝	−0⅛	+0¾	9.26
GMAC 10¼ 89	200	107⅛	107⅝	0	+0⅝	6.89
GMAC 8½ 93	200	101⅞	102⅜	+0⅛	+0⅝	8.06
IADB 9⅞ 95	200	110⅝	111⅛	+0⅛	+0⅝	8.17
Liberty Mutual 8½ 96	150	101¼	101¾	+0⅛	+1⅛	8.26
LTCB of Japan 8 91	100	101⅞	102⅜	−0¼	+0¼	7.44
Merrill Lynch 8¾ 91	100	104	104½	−0¼	+0½	7.70
Mercds.-Benz Cred. 7½ 93	100	100⅛	100⅝	−0¼	+0½	7.42
Nth. Amer. Philips 8 93	100	97¼	97½	+0¼	+0⅝	8.54
Norway Kingdom 7¾ 91	500	99¾	100¼	0	+0½	7.24
Pepsico Inc. 7⅞ 93	200	97¼	97¾	+0⅛	+0¾	7.89
Proct. & Gamb. 'A' 9⅞ 92	150	106⅝	107⅛	+0¼	+0⅛	8.38
Qantas Airways 10⅞ 95	240	110¾	111¼	+0½	+0⅞	8.52
Queensland Govt. 10¼ 95	100	109⅛	109⅝	+0¼	+0⅝	9.61
Ralston Purina 11¾ 95	150	113½	114	0	+0¾	9.25
Saab Scania 9½ 91	125	105⅛	105⅝	−0¼	+0¾	7.89
Saskatchewan 10¾ 92	100	112	112½	+0¼	+0½	7.83
Shikoku Elec. Pwr. 8¼ 93	70	†100⅛	100⅝	0	+0⅛	6.60
State Bk. S. Aust. 9¼ 93	100	104¼	104¾	+0⅛	+0⅝	8.29
Statoil 10 90	170	108⅛	108⅝	−0⅛	0	7.32
S. Wales Trsy. 11¾ 90	150	111⅞	112⅜	0	+0½	7.71
Swed. Exp. Cred. 10 92	100	110¼	110¾	0	+0⅝	7.60
Sweden 8¾ 96	200	04⅛	104⅝	−0¼	+0⅛	8.04
Sweden 10¼ 92	250	112	112½	0	+0½	7.54
Sweden Kingdom 10⅞ 90	200	110⅞	111⅜	0	+0⅛	7.16
Sweden Kingdom 7 91	250	98½	99	−0⅛	+0⅝	7.31
Toyota Motor Cred. 8 89	100	102⅞	103⅜	+0⅛	+0¼	6.70
Victorian Rep. 11⅝ 92	150	114⅛	114⅝	−0⅛	+0⅝	8.21
World Bank 8½ 16	150	†93½	94	+0⅛	+1⅛	9.11
World Bank 9¼ 16	300	†101	101½	−0⅛	+0½	9.12
World Bank 9½ 16	300	*†103½	103½	0	0	9.39
World Bank 10⅛ 95	300	113⅝	114⅛	+0⅛	+0⅞	7.86
Yasuda Trust Fin. 8½ 93	100	101¾	102¼	+0⅛	+0½	8.08

Average price changes on day +0 on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	106⅛	106⅝	−0⅛	+0⅛	6.85
Austrian Elec. Co. 6½ 95	150	98⅝	99⅛	0	+0¼	6.67
BMW 5¾ 96	200	91⅞	92⅜	+0⅝	+0½	6.38
Daimler Benz Int. 5¾ 01	500	90⅞	91⅜	+0¼	−0⅛	6.72
Dow Chemical 5⅞ 96	300	92⅞	93⅜	+0⅛	+1⅛	6.65
Dow Chemical 6¾ 95	300	102⅝	103⅛	−0⅛	+0¼	6.32
EIB 5½ 98	150	90⅛	90⅝	−6½	−0¼	6.74
EIB 6⅞ 95	300	101⅞	102⅜	+0¼	+0⅞	6.55
EIB 7¼ 94	300	103⅞	104⅜	+0⅛	+0¼	6.57
Embart Corpn. 6¾ 95	175	100⅛	100⅝	+0¼	+0⅝	6.65
[illegible]						

Average price changes on day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes on day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes on day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	55⅝	56	+0⅛	+0⅛	14.06
Bremer Ldbk. 12¾ 91 A$	30	97⅝	98⅝	+0¼	+0⅞	13.27
Fiat Finance 14½ 89 A$	50	100½	101⅛	0	+0½	13.92
GMAC 12⅞ 89 A$	40	98⅞	99⅜	+0⅛	+0⅞	13.33
Landsbk. Rhein. 13 89 A$	30	†98	99	+0¼	+1	13.66
Canadian Pac. 10⅞ 90 C$	75	†103½	104	+0½	+0⅞	9.18
Chrysler Corpn. 10 91 C$	75	†99⅝	99⅞	+1⅛	+1¼	9.33
Genstar Fin. 11¾ 95 C$	75	*†104	104½	0	−0⅛	10.94
GMAC 9¼ 92 C$	75	†101½	102	+1⅛	+1	8.81
Royal Trustco 10⅞ 90 C$	75	†102⅛	102⅝	+0¼	+1	9.63
Sears Acc. 10⅞ 92 C$	75	*†102⅝	102⅞	0	−0⅛	10.01
Coca-Cola F. C. 17 90 R$	75	†106	107½	0	0	14.51
Denmark 17½ 89 N$	50	†102⅞	102⅞	+0⅝	+0⅛	15.90
Unilever Cap. 17½ 89 N$	50	†105½	107	0	0	14.63
Copenhagen City 9 95 Ecu	40	101⅞	102	+1⅛	+1¼	8.73
EIB 8⅞ 93 Ecu	100	105⅛	105½	+3⅞	+1½	7.54
Walt Disney 8¾ 94 Ecu	62	104	104⅝	+1½	+1¼	7.97
Honda Mtr. WW 3⅞ 90 Fl	100	108⅛	108⅝	−0⅛	−0⅞	1.32
Honda Mtr. XW 3⅞ 90 Fl	100	93¼	93¾	0	0	6.05
Thyssen 7¼ 90 Fl	50	104⅛	104⅝	0	0	5.89
Wereldhave 7½ 90 Fl	75	104⅛	104⅝	0	−0¼	6.11
Wessanen 6¾ 90 Fl	50	104⅛	104⅝	0	−0⅛	5.47
Amev 11 93 £	50	†99	99½	−0⅛	0	11.15
Australia Com. 11 92 £	40	†97½	98	+0⅛	+0½	11.54
GMAC UK Fin. 10½ 90 £	30	99⅛	99⅝	+0⅛	+0⅛	10.67
Imp. Chem. Inds. 10 03 £	100	91⅝	92⅛	0	−2⅛	11.08
Imp. Chm. Inds. 10¾ 92 £	75	†96	96½	+0¼	0	11.65
Invst. in Inds. Int. 10 93 £	60	92⅛	93	0	+0¼	11.46
Leeds Bldg. Soc. 10½ 91 £	50	95⅝	96⅛	+0⅛	+0¼	11.71
McDonalds 10⅞ 90 £	40	†98½	99	+0⅛	−0¼	11.28
Nationwide BS 10⅛ 93 £	75	92⅝	93⅛	+0⅛	+0¼	11.73
NSW Treasury 10⅝ 92 £	50	95⅛	95⅝	+0⅛	+0⅛	11.72
Royal Insce. 10¼ 92 £	60	†96½	97	+0¼	+0⅛	11.53
J. Sainsbury 10⅞ 93 £	60	97¼	97⅝	+0¼	+0⅛	11.44
Trusthouse Forte 11¼ 90 £	50	98⅝	99⅛	+0¼	+0⅝	11.49
World Bank 11¼ 95 £	100	101½	102	+0¼	+0⅝	10.90
CoE 8⅞ 95 LFr	600	†105	105½	−0¼	−0¼	8.03
EIB 8⅝ 93 LFr	1000	†104¾	105¼	0	−0¼	7.58

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. 94 £	0.08	99.59	99.64	18/10	10.08
Australia & NZB Perp.	0.015	99.60	99.70	30/10	6.15
Barclays Bank Perp. 1	0¼§	100.61	100.71	2/1	7.06
Barclays Bank Perp. 2	0¼§	100.36	100.46	14/8	8¼
Belgium, Kingdom of 91	0	100.49	100.59	19/2	8.06
BNP 5¼ 95	0.05	†101.93	102.03	12/1	6.08
Britannia 5 93 £	0⅛	99.85	99.95	8/10	10.19
Chase Manhattan Corpn. 91	0⅛	99.67	99.77	28/8	6.12
Citicorp 98	0¼	99.39	99.48	29/8	7.19
Credit Lyonnais 5 00	0⅛	100.86	100.96	12/1	6.81
EEC 3 92 DM	0	100.49	100.56	20/8	4.44
EEC 5¼ 93 Ecu	0.0312	99.82	99.92	30/7	7.66
Halifax Bldg. Soc. 94 £	0.1	99.57	99.62	6/8	10.54
Lloyds Bank Perp.	0¼	100.60	100.70	9/12	7½
Midland Bank 01 £	0.1	99.49	99.59	7/11	10.86
MRk Mrktg. Board 5 93 £	0⅛	99.85	99.90	2/9	9.94
NatWest Perp. A	0¼§	100.65	100.75	9/1	6.94
NatWest Perp. B	0¼§	100.61	100.71	10/2	8¼
New Zealand 5 97 £	0.07	99.99	100.09	14/8	10¼
New Zealand 5 01	0	100.26	100.36	4/2	8.19
Prudential Corpn. 4 95 £	0.1	99.87	99.97	5/9	9.85
Shearson Lehman Hldgs. 91	0⅛	99.60	99.70	6/11	6¼
United Kingdom 5 92	0	100.11	100.20	7/10	7.19
Woodside Financial 5¼ 97	0	100.16	100.26	28/10	6.81
Woolwich 5 95 £	0⅛	99.78	99.83	19/11	10½

Average price changes on day −0.03 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Albert Fisher in £38m deal with Guinness

BY CLAY HARRIS

Albert Fisher Group yesterday continued its rapid expansion on both sides of the Atlantic with the purchase of three UK food suppliers from Guinness and another fruit and vegetable distributor in Florida.

Guinness, the beverage and retailing group, will receive £38m for Stratford-upon-Avon Canners (SonA), MCC Foods and Frank Idiens & Sons.

The three companies, which were acquired in the £2.5bn takeover of Distillers earlier this year, had total pre-tax profits of £3.3m on turnover of £52m in the year to March 31.

The food services and distribution company will pay an initial $3.5m (£2.48m) and up to $6m more depending on profits for Red's Group, based in central Florida. The acquisition makes Albert Fisher the largest single supplier of fresh produce in the fast-growing state, with 7 per cent of the market.

Albert Fisher is to finance the British purchase and raise an additional £5.6m with the issue of 30.3m new shares. Fisher shareholders and employees will be offered all of these shares at 150p, the price at which they were provisionally placed yesterday by Schroders and Rowe & Pitman.

Albert Fisher is also to issue shares to pay for $1m of the US purchase. Taking into account all the new shares and the one-for-three scrip issue announced last month, yesterday's price of 166p, up 3p, would value the group at £175.8m.

Albert Fisher's forte to date has been the supply of fresh and frozen fruit and vegetables. It expects the new companies to forge another links in the supply chain, strengthening its role in the provision of semi-processed foods to caterers, bakers and manufacturers.

Sona is a leading supplier of tinned beans, fruit and vegetables to caterers and is increasing its role in fruit products such as jams and pie fillings. MCC makes a wide range of food products, including mixes for cake, pastry and bread, sauces, squashes and flavourings. Frank Idiens supplies fresh and frozen fruit and vegetables and food products including ice cream.

Albert Fisher was chosen in part because Guinness believed that it would safeguard and expand the businesses—which employ more than 600 people—rather than possibly removing competitive capacity from the sector. It also was willing to buy the companies as a package.

With the latest acquisitions, Albert Fisher now expects turnover to reach £175m to £185m in the current financial year, against £116m in the 12 months to August 31 and only £15.1m in 1982-83, the first full year after Mr Tony Millar took over as executive chairman.

Pre-tax profits have advanced from £337,000 to £8.36m in the same period, and the company is looking for 20 per cent underlying growth this year.

Although the company has no net gearing — with sterling deposits balancing dollar borrowings—it appears ready to step off the acquisition trail for a bit.

"We're going to take a breath," Mr Millar said yesterday.

Booming markets boost GT Management

By Philip Coggan

GT Management, the fund management group which came to the main market in July, has announced interim pre-tax profits more than doubled to £5.99m (£2.22m) for the six months ending September 1986, on the back of booming world stock markets.

Funds under management increased 15 per cent to £3.87bn in the first six months of the financial year as the Capital International World Index reached an all-time peak. However, some US pension funds decreased the proportion of funds invested in international markets.

Two new offshore funds have been started—Newly Industrialised Companies and Biotechnology and Health—and GT's Berry Japan Fund has been listed on the Amsterdam Stock Exchange. A UK pension fund management subsidiary has been established to take advantage of post-Big Bang opportunities.

In September, GT and a group of investors took a 20 per cent stake in Berry Trust, as part of a blocking move against an £86m takeover bid by Ensign Trust. GT was concerned about its independence if Ensign took over Berry's 11.7 per cent stake.

When the Ensign bid failed, Berry's share price dropped and these figures include an extraordinary debit of £882,000 relating to the write-down of the investment. However, it is cancelled out by a £1.13m profit on the disposal of investments and the net extraordinary item is a £248,000 credit.

In recent months, GT has cut back, by over a fifth, its funds invested in Japan and moved into South East Asian countries like Singapore and Hong Kong. Mr W. T. J. Griffin, chairman, is reasonably positive about the outlook for the UK equity market but uncertain about the immediate prospects in the US.

Turnover was £18.8m (£11.4m) and administrative expenses were £12.8m (£9.2m). After tax of £1.38m (£565,000) and the extraordinary item, earnings per share were higher at 8.9p (3.8p) fully diluted. The interim dividend is 1.25p.

The shares closed unchanged at 216p, compared with the issue price of 219p.

See Lex

Tyzack Turner shares suspended

Shares in Tyzack Turner, Sheffield precision engineer, were suspended at 95p yesterday. The move was made at the company's request, pending an announcement.

Ten days ago W. A. Tyzack, another Sheffield precision engineer, said that merger talks between it and Tyzack Turner had proved unfruitful. The two companies were the product of a family split in the last century.

Tyzack Turner would not comment yesterday on the reasons for the suspension.

Market sources suggested a bid or merger is in prospect but W. A. Tyzack is not thought to be involved. A further announcement is expected by Friday.

Christopher Parkes on Astra's build-up in the military markets

Bidding to make an even bigger bang

AT YESTERDAY'S prices 17.5p would buy one Astra Holdings share or a banger and a giant sparkler.

But Mr Chris Gumbley, chief executive of the Kent pyrotechnics concern, is concerned that the company's equity should promise better staying power than a squib on a dank November night.

Astra came to market earlier this year through the reverse takeover of Francis Sumner, an enfeebled textiles group. As well as a listing, the deal brought a lump of cash to reduce debt and help the company with its diversification drive.

Since then it has enlarged its market share and range with the purchase of Unwins, the military simulator and firework display specialist, and now claiming to be the second largest fireworks company in the UK after MY Dart.

Although Guy Fawkes fireworks account for a large proportion of group sales, Astra has been making a progressively louder series of bangs in the year-round, world-wide market for military pyrotechnics and explosives — thunderflashes, smoke screens, practice bombs and the like.

It has devoted the last five years to developing a full range of pyrotechnic devices and is now carving out new markets for itself. Mr Gumbley has concentrated full-time on this venture since 1983.

Group sales last year were more than £6m — five times the level in 1981 when Astra was bought out by its management. Pre-tax profits were £340,000. Two-thirds of sales went to military customers.

Mr Gerald James, chairman, confidently expects military turnover to account for £7.5m from a total of £10m in the current year, which ends next March.

Mr Gumbley admits neither the entertainment nor the military markets offer an easy road forward. The traditional business is hamstrung by UK restrictions on the sale and use of fireworks. "We have doubled our turnover in five years, but now we have reached a plateau," he says.

Pyrotechnics proper is being squeezed by tightened defence budgets at home and in the Gulf, and also by the recent establishment of indigenous industries in traditional markets like Singapore, South Korea and Malaysia.

The company's response has been to take its military expertise to North America, the biggest, toughest market in the world. "The US buys more than the rest of the world put together," Mr Gumbley says, fondling the pastel green practice bomb on his desk. "The Brits take 40,000 of these a year. The US takes 1.5m. Go across the boar dand see where that leads you."

Mr Chris Gumbley, chief executive of Astra

'GUY FAWKES, The only man ever to enter Parliament with good intentions' —sign on the office wall in Astra's factory near Richborough in Kent

The first step was to move in next door, to Canada. Late last year Astra took over ABA Chemical, a failing Ontario company, and took on two senior managers from Hands Fireworks, one of the market leaders in Canada.

The group has since enjoyed a bumper season. Its smoke pots, ground burst simulators and thunderflashes have gone off well. One of the results has been a glowing assessment by a senior official from the Ministry of National Defence.

Prepared for ministry circulation, it reads in part: "... actual field usage experience of their pyrotechnics is limited. However, since Astra began to bid on contracts, they have created a highly competitive atmosphere with the result that there have been price reductions of up to 30 per cent on current contracts, as compared with those awarded previously. . .

". . . They have have put great pressure on their two main competitors, Hands Fireworks and Victrix. The result has been financial savings to the department."

As might be expected, Astra has faced a hard time from the industry and its political lobbyists in the US. Still, Mr Gumbley feels his approach is working. "We deal like the Americans. We fight on their ground, abide by their rules and use the rules to help us," he says.

Rule number one, as in Canada, is to keep prices down. "In the US if you're not the lowest bidder you've had it."

Mr Gumbley believes there is room for Astra in the US. "The market is so vast and we are so small, just one of their contracts is equal to our turnover," he explains.

But he also recognises that the value of his aggression—and the patience of US competitors—is limited. "We can only go so far."

So far, so good. Results to date include two contracts for practice bombs for the US Navy and an option on a rare site licensed for high explosives manufacture and storage.

The site could prove important in Astra's strategy for developing in the UK military market. The company has also been working aggressively in Britain since the introduction of competitive tendering by the Ministry of Defence. For example, it offers trip flares for £8 compared with the £25 demanded by Royal Ordnance.

Although it is dwarfed by giants like GEC, British Aerospace and GKN in the bidding for the RO, which is to be privatised shortly, Astra has its eye on specialist portions of the state armaments industry which would fit its diversification plan.

Although the UK market is relatively small, the company appears to need to improve the balance of its operations through broadening its base at home.

Mr James and Mr Gumbley will reveal no details, but they have made their interest known in all relevant government and industrial quarters and lined up the financing which would allow them to buy the pieces they want from the eventual purchaser of RO.

They have no polite words for the RO's standards of salesmanship, but, Mr Gumbley says, "they have the most up-to-date factories in the world, are the most technically-competent and thoroughly experienced."

Competitors like MY Dart,

which recently absorbed Standard Fireworks, are believed to be following a similar tact.

However, Astra's exploits in the US may have given it an advantage. "The Royal Ordnance is desperate to get in over there," Mr Gumbley notes. Earlier this year it established a bureau in Washington to try to gain a foothold.

Even so, if Astra takes up the option on its licensed site, it could use it as a negotiating lever by offering warehousing or other valuable services to help the RO or its new owner exploit further the biggest "fireworks" market in the world.

Heath bid news imminent

BY NICK BUNKER

C. E. Heath, the quoted Lloyd's insurance broker, hopes to unveil today the results of its merger talks with Fielding Insurance.

If completed, the merger would create a combined company more than 20 per cent owned by Hambros, the merchant banking group, which has an 81 per cent stake in Fielding, an insurance and reinsurance broker.

The plans are under threat however from a hostile takeover bid for Heath launched on October 20 by Mr Ronnie Ben-Zur, chief executive of PWS Holdings, another Lloyd's broker. Stockbrokers' analysts have been worried by Heath's delay in producing any detailed reply to Mr Ben-Zur's case for taking control.

C. E. Heath's initial announcement last month said that the company proposed to buy Fielding on a share-for-share basis but the merged operation would be managed by Fielding.

C. E. Heath last night declined to comment on suggestions that the announcement expected today had been delayed by problems in securing the backing of major insurance companies as underwriters for a share issue connected with the proposed merger.

A Heath-Fielding merger has been widely seen in the City as a strategy for improving management at C. E. Heath.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Brikat Group	2.5	Jan 12	2.5	4.2	4
GT Management ...int	1.25	Dec 22	—	—	—
Hopkinsons Hldgs ...int	2.75	Dec 5	2	—	7.5
Hunting Group ...int	2	—	2	—	6
N. Atlantic Secs	2.4	Dec 31	2.4	3.4	3.4

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Acquisitions fail to impress for Brikat

Brikat Group, the manufacturer and distributor of equipment for the business microcomputer market, turned in pre-tax profits down slightly from £1.3m to £1.1m on turnover up 65 per cent from £8.3m to £13.7m in the year ending July 31 1986.

The directors said that £2.6m of the increase in sales volume were the result of acquisitions made during the year. But as only one was profitable at the time of purchase they said profit levels of the group did not reflect the substantial increase in sales achievement.

The group also increased its number of retail outlets to 15 with a number of acquisitions for Brikat Business Centres—part of its newly-consolidated corporate diversification strategy.

The software division continued to provide the major part of the group's earnings.

After tax of £455,000 (£612,000), earnings per share worked through at 13.6p (14p).

The directors proposed a final dividend of 2.5p, making a total for the year of 4.2p (4p).

Anglia TV voting details

BY CHARLES BATCHELOR

Anglia Television Group yesterday announced the details of the plan to enfranchise its non-voting "A" shares which it first unveiled last January. It is the latest ITV company to take this step following Central TV and STV earlier this year.

All its existing shares—comprising non-voting "A" shares, and the voting "B" and "C" shares — will be converted into ordinary shares carrying one vote each. The "B" and "C" shares are at present subject to restrictions on their transfer and are not listed.

Existing holders of "B" and "C" shares will be offered compensation for the dilution of their voting rights in the form of four ordinary shares for every three "B" or "C" shares already held. This will involve the capitalisation of £102,667 of reserves.

Anglia has the approval of the Independent Broadcasting Authority (IBA) for this move subject to a restriction on any shareholder owning more than 10 per cent of the equity.

The IBA has also required Anglia to restrict voting rights and require the disposal of its shares in some circumstances, including where a shareholder is unacceptable to the IBA.

Anglia will ask its shareholders to approve this plan at an extraordinary meeting on November 26. The company is being advised by S. G. Warburg, the merchant bank.

THOMAS COOK, the Midland Bank subsidiary, has sold a 49 per cent interest in its Australian operation to Qantas, the Australian airline, for an undisclosed price.

KIO sells 12% stake in Barratt

The Kuwait Investment Office yesterday sold its 11.8 per cent stake in Barratt Developments, the housebuilder. The shares would be worth about £31.8m at yesterday's closing price of 152p.

Mr Robert James, Barratt finance director, said that the company had been informed of the disposal but had not been told how or to whom the shares had been sold. KIO had held Barratt shares for nearly three years and raised its stake to 11.8 per cent in March.

UK COMPANY NEWS

Ferruzzi denies charges over bid for British Sugar

BY ANDREW GOWERS

FERRUZZI, the Italian agricultural conglomerate, yesterday denied that it breached undertakings to the Government by negotiating to buy a controlling stake in British Sugar from S. & W. Berisford, the commodity trading group.

Ferruzzi is close to signing a conditional deal giving it a 70 per cent stake in British Sugar for a total of about £400m.

It has undertaken not to increase its stake in Berisford beyond the 23.7 per cent which it currently holds, or to exercise voting rights above 15 per cent, while the Monopolies and Mergers Commission continues its investigation of the rival approaches to Berisford by Ferruzzi and Tate & Lyle, the cane sugar refiner.

Mr Neil Shaw, Tate's chairman, suggested on Monday that Ferruzzi and Mr Ephraim Margulies, Berisford's chairman who has a stake of his own in the group, might be deemed to have acted in concert, effectively raising Ferruzzi's stake above 23.7 per cent. He said Tate would be seeking assurances that the move was within the rules.

Yesterday, Mr Carlo Tarsia, manager of Agricola UK, Ferruzzi's British holding company, said: "There is no foundation in these allegations. The last thing we want to do at this stage is to go against British law."

Advisers to S. & W. Berisford also denied Tate's suggestion.

"There's absolutely no question of their acting in concert," said Mr Sandy Muirhead of Charterhouse Japhet, the merchant bank.

The negotiations between Ferruzzi and Berisford were aimed at concluding a normal commercial transaction — subject to the approval of the Commission and of Berisford shareholders — and the Italian company's stake in Berisford remained at 23.7 per cent.

Mr Margulies's own shareholding in Berisford, which amounts to "a couple of per cent," was not relevant and the idea of a management buy-out for the commodity trading part of Berisford — mooted with Ferruzzi and Tate & Lyle earlier this year — had now lapsed, he added. Mr Margulies was now concentrating on reinforcing Berisford's position as an independent publicly-quoted company.

Berisford is making clear that Ferruzzi is its preferred candidate in negotiations over the future of British Sugar, although it would not rule out Tate & Lyle if the latter came up with a higher offer.

It prefers the Italian company partly because it believes it to have greater financial resources at its disposal than Tate, and partly because it is seen as "a more vigorous and commercially alert partner," according to one member of the Berisford camp.

"Price is not the sole determinant but it is a major determinant," he added.

Tate & Lyle had earlier been negotiating to acquire British Sugar by taking over Berisford for not less than 250p per share, or £478m, and selling the rump of the group back to a management team led by Mr Margulies. It is awaiting the commission report before making another financial move, but insists that it is determined to stay in the bidding.

City analysts believe that if both bids are cleared, Tate faces a tough fight to gain control of British Sugar — especially in view of the generous terms of Berisford's conditional deal with Ferruzzi.

The commission is due to report by November 18, but may ask for an extension.

More estate agencies for Hogg Robinson

By Eric Short

Leading multinational insurance broker, Hogg Robinson Group, is expanding its involvement in the UK estate agency business with the acquisition, costing £5.8m, of two more companies, Anscombe & Ringland in Central London and Russell, Baldwin & Bright based in the Herefordshire area.

Anscombe & Ringland is a leading London estate agency specialising in letting and management as well as buying and selling residential property in fashionable London districts. It has eight branches in St John's Wood, Central, North and West London. Hogg Robinson will acquire 85 per cent of the equity of the company, with the principal vendors retaining 15 per cent, upon which there will be put and call options exercisable after December 31, 1988.

Major institutions moving into the estate agency sector have, with certain exceptions, avoided operations in the London area, on the grounds that it is a special area anyway and also that any upmarket chain will not produce much spin-off financial services business.

However, Mr Brian Perry, group deputy chairman of Hogg Robinson and chief executive of the Travel, Transport and Financial Services Division, disagrees with both these views. He feels that growth potential for financial services is strong.

Russell, Baldwin and Bright has 14 branches and is being purchased outright. Hogg Robinson has been operating a pilot scheme since the beginning of the year with this firm in selling financial services through estate agents' offices. Mr Perry reports this operation to be highly successful, though to date products sold have been linked to house buying.

Combined adjusted pre-tax profits of the two acquisitions for their respective financial years ended December 31 1985 was £366,000 and net assets amounted to £784,000. The £5.8m consideration is being met by £4.2m cash from Hogg Robinson's own resources, £1.2m in redeemable preference shares and a further £400,000 cash in respect of the Anscombe and Ringland acquisition related to profits achieved in the current year

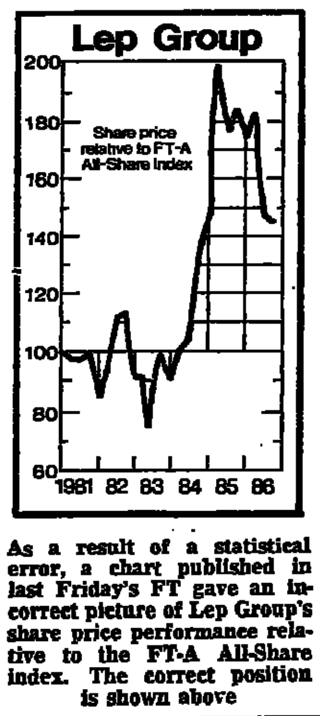
No figure is given for each individual acquisition, though the vast majority of the cost will be for the London firm.

The purchases bring the total number of branches in Hogg Robinson's estate agency chain to 47 and with two more deals expected to be announced this month, Mr Perry states that the group is well on track for its initial expansion plans.

Hollis/AE

Kleinwort Benson, one of the merchant bank advisers to AE, stressed yesterday that the agreed £265m offer from Hollis Group, controlled by Mr Robert Maxwell, needed only 50 per cent acceptances to succeed and not 90 per cent as was often the case in takeovers. Mr Maxwell's Pergamon Press owns about 10 per cent of AE.

Turner and Newall, which still holds 29.9 per cent of AE, was continuing to consider whether it is able to finance a new offer higher than that from Hollis.



As a result of a statistical error, a chart published in last Friday's FT gave an incorrect picture of Lep Group's share price performance relative to the FT-A All-Share index. The correct position is shown above

New England forced to hand over properties

By Paul Cheeseright, Property Correspondent

New England Properties, the stretched Newcastle company, is being forced to hand over property developments to its chief shareholders in the face of a decision by its banks to reduce its lending limits.

The company has been hit by the decline of property values in Scotland and the north east of England and by cost and time overruns at a development in St James's, central London, called Stanmore House.

Hunting Group holds 47.65 per cent of New England and Dutch bank Friesch-Groningsche Hypotheekbank, (FGM) 24.7 per cent.

Before a £2m provision relating to New England, Hunting made a pre-tax profit of £2.7m during the six months to June, compared with £1.9m in the same period of 1985. The interim dividend is maintained at 2p.

New England turned a loss of £282,000 in its 1985 first-half into a pre-tax profit of £101,000 in the latest six months, following the sale of its interest in the Norton Folgate development in east London for £500,000.

But British Linen Bank and FGH have decided that they cannot continue lending at current levels. With Hunting, they are going to take over the ownership of a warehouse development in Livingston, Scotland, and an offices-shops venture in Newcastle, in satisfaction of the loans on the properties. This will reduce New England borrowing by £2.35m. Hunting and FGH are also take over Stanmore House.

LET/Kellock tie up through first stage

BY CLARE PEARSON

London & Edinburgh Trust, the fast-expanding property company, which this week bid £94m for the Nineteen Twenty-Eight Investment Trust, has completed the first stage of its complicated strategy to turn Kellock Trust, the recourse factoring group, into a separate quoted vehicle for its financial services operations.

The deal involves the sale to Kellock of a controlling interest in Burlington Insurance Services, LET's insurance broking arm; a general offer worth around £10.6m for the whole of Kellock's capital with the intention of LET retaining between 40 per cent and 49 per cent; an injection of new shares and a capital restructuring which involves turning Kellock's convertible preference shares into ordinary and a five-for-one share sub-division.

At extraordinary meetings on Monday, shareholders of both LET and Kellock approved the schemes, and the offer for Kellock is now unconditional and remain open until November 17.

Kellock's shares were suspended at 116p on September 16, when the plans were first announced. They were yesterday restored and jumped to 190p, valuing the company at some £45m.

Barclays de Zoete Wedd, LET's advisers, announced yesterday that holders of 29.9 per cent of Kellock's ordinary shares, and 6.6 per cent of its variable rate convertible preference shares, had accepted LET's offer.

Mr Nicholas Oppenheim and Mr Felix Calonder, two Kellock directors, spoke for 29.4 per cent of the ordinary, and 6.4 per cent of the preference, have resigned from Kellock's board.

LET has also subscribed for 710,763 new Kellock ordinary and 5.96m convertible preference by was of a capital injection. Its aggregate holding, therefore, amounts now to 53 per cent of the ordinary and 41.9 per cent of the convertible preference.

Existing shareholders are being invited to participate in the new company on the same terms as LET through a one-for-five rights issue at 85p per share.

WDA in £1.2m Delyn stake sale

BY DAVID GOODHART

The Welsh Development Agency has sold its entire 29.65 per cent holding in packaging manufacturer Delyn to the family trusts of Mr Paul Norman for £1.18m.

Delyn, which is a leading producer of thermo-formed plastic packaging for the food industry, made pre-tax profits of £301,000 on turnover of £6.67m in the year to February 2 1986.

Mr Norman said that while his purchase is intended as a nominal investment he would, if invited, join the board and looked forward to co-operating closely with the board.

The sale, agreed yesterday, means that the WDA has made £1.04m on its investment in Delyn. The agency bought its holding in 1977 for £118,000. The 590,000 shares were sold yesterday for £2 each.

Hopkinsons 32% advance and growth continues

REFLECTING profitability in all trading subsidiaries, the Hopkinsons Holdings group lifted its turnover by 17.5 per cent, trading profit by 26 per cent and pre-tax profit by 31.5 per cent in the half-year ended July 31 1986.

And for the second half the directors said that this started well, and that the year-end position looked most encouraging.

Earnings also benefited from a substantial cut in the tax charge, and the interim dividend is being raised from 2p to 2.75p net.

In the half year the group, maker of boiler mountings and valves, experienced a healthy increase in activity. It produced turnover of £37.9m (£32.23m)—and trading profit of £3.5m (£2.79m), while higher investment income and a substantial increase in leasing income helped the pre-tax profit to rise to £4.08m (£3.1m).

Bryan Donkin continued to make good progress within a buoyant world gas market. The productivity benefits arising from its recently completed major investment programme at Chesterfield were now being realised.

Hopkinsons and Atwood & Morill Inc produced a reasonable performance, although still affected by the continuing low level of new construction in the UK and US power industry. Results from other subsidiaries, including J. Blakeborough, showed continuing progress.

After tax £950,000 (£1.34m) the net profit came through at £3.13m (£1.75m).

For the year 1985-86 the group made a profit before tax of £6.83m (£5.83m).

● comment

No new UK power station orders have been placed in the past few years so it is rather surprising that Hopkinsons has managed to maintain a consistent record of increased profits. However, the spares market is still active and Bryan Donkin, the subsidiary which supplies the booming gas industry, has provided much of the impetus for growth. These figures include a first time contribution from US valve-maker Atwood & Merrill which is likely to bring in £1½m before financing costs in the full year. Even after that purchase, Hopkinsons is cash positive and has further plans for US and UK expansion over the next 18 months. In the long term, a lot will depend on Mrs Thatcher's plans for new power stations as to whether the shares, at 310p up 20p, will improve their p/e rating from 9.5, based on full year pre-tax profits of £8.5m.

Ranger Oil pursues Berkeley takeover

By Lucy Kellaway

RANGER OIL, the Canadian oil company, has announced that it is still hoping to win its £11m unfriendly takeover bid for Berkeley Exploration and Production, the frail UK oil independent, despite reports that the deal would not secure Ranger its objective—the operatorship of a gas block in the North Sea.

Ranger had initially hoped that by buying Berkeley it would retain the operatorship of blocks 48/18B and 48/19B, which Lasmo has been attempting to secure for over a year, in the first wrangle over a licence seen in the North Sea.

In order to operate the block, a company must control more than 30 per cent of the votes. Following an exchange of stakes, Rangers, the present operator, has watched its share of the votes decline to 23 per cent, while Lasmo's share has risen to about 31.5 per cent.

As Berkeley owns nearly 12 per cent of the blocks, the acquisition should have allowed Ranger to remain as operator.

However, since Ranger put out its formal offer document, it has been revealed that the votes on the Berkeley stake have been pledged to Lasmo as a part of an earlier deal in which Berkeley sold a further chunk of its stake in the block to Lasmo.

Berkeley said that it had taken expert legal advice on the matter, and had concluded that, even if Ranger succeeds in its bid, the votes will stay with Lasmo.

Acquisition boost for Aberfoyle

Aberfoyle Holdings, a Surrey-based company with interests in agriculture, textiles, auto-electrical and security products and services, reaped the benefits of an acquisition in the first six months of 1986 and for the period saw its profits rise from £91,000 to £754,000 pre-tax.

The group's Zimbabwean subsidiary, GMHL Investments, acquired Electra Investments (Zimbabwe) earlier this year and the results for the half year took in a dividend entitlement to GMHL from EIZ of Z$1.66m (£620,000).

This was equivalent to EIZ's after-tax profits for the quarter April 1 to June 30, 1986. EIZ's results will be consolidated for the second half of the year.

Aberfoyle directors are not proposing an interim dividend but they said yesterday that they anticipated the deficit on the group's profit and loss account would be eliminated in the second six months and that a final of not less than 1p gross would be recommended.

It was pointed out that following the acquisition of EIZ negotiations had begun to change the basis of the investment portfolio from a wide-ranging spread of equity shares to a small number of the larger companies with whom GMHL would seek associate status.

At June 30 the group's minority interest in GMHL was 30 per cent. Following the EIZ transaction the effective interest had risen to 49.25 per cent.

Group turnover for the first half totalled £3.58m (£4.08m). Attributable profits worked through at £460,000 (loss £7,000), equal to earning per 8p share of 1.32p (nil).

COMPANY NEWS IN BRIEF

TR NATURAL RESOURCES Investment Trust said that it would seek to develop a closer relationship with Flatou Investments, the Norwegian group which has bought a 28.8 per cent stake in the listed trust. The trust, managed by Touche Remnant, also confirmed that talks about a possible takeover bid were no longer taking place.

CANNON STREET Investments is expanding in the Netherlands with the purchase of Bekkers Beheer, a meat wholesaler and cold storage operator, for an initial Fl 6.75m (£2.1m) cash. Bekkers made pre-tax profits of Fl 1.79m on turnover of Fl 28.3m in 1985. Further payments of up to Fl 12.5m (£3.9m) will be made depending on Bekker's profits up to 1990.

STAR OFFSHORE SERVICES (unquoted provider of marine and shipping services to oil industry): Six months to September 30, 1986: turnover £5.14m (£5.31m), pre-tax profit £244,000 (£948,000). Extraordinary item £191,000 loss, relating to disposal of interest in Hong Kong associate. Earnings per share (net) 1.65p (6.28p), fully diluted 1.95p (4.96p).

OSPREY COMMUNICATIONS (advertising agency): Interim 0.5p (nil) for six months to September 30 1986. Turnover £2.04m (£1.74m) and pre-tax profit £28,126 (£27,987). Net profit £11,736 (£11,443) after tax of £16,390 (£16,544). Earnings per share 0.34p (0.33p).

CELTIC HAVEN (engineer and building contractor): Final dividend 0.5p (same) for year ended March 31 1986. Turnover £4.47m (£1.75m) and pre-tax £92,125 (£15,880). Exceptional debit £52,405 (nil); tax £16,000 (credit £46,000). Earnings per share 0.4p (1.2p). Trading for the first five months of the current year has been encouraging.

PERRY GROUP has completed the sale of HP Debtors, part of its Perry Group Finance subsidiary, to Ford Motor Credit for some £5m cash. After providing for possible recourse on accounts in arrears, exceptional profit of £300,000 will arise. Sale has eliminated group borrowings and strengthened the balance sheet.

NOLTON (investment holding company): Final dividend 0.65p (0.434p), making 1.2p (1.17p) for year to end-July 1986. Turnover £21m (£12.67m) and pre-tax profit of £1.13m (£794,000). Tax £396,000 (£240,000) leaving earnings per share on increased capital 3.66p (6.23p).

DUALVEST (investment trust): Net asset value per £1 capital share £16.50 (£12.95). Interim dividend 7.19p (5.97p) for the six months to September 30 1986.

Solicitors' joint venture not breach of duty

HANSON v LORENZ & JONES AND OTHERS

Court of Appeal (Lord Justice May, Lord Justice Woolf and Sir Roualeyn Cumming-Bruce): October 17 1986

A SOLICITOR who enters into a joint venture with his client is not under a duty to advise him as to the business prudence of the venture, and is not in breach of his fiduciary obligations if the client was fully aware of the nature and effect of the transaction before he entered into it, and if the terms were fair.

The Court of Appeal so held when dismissing the major part of an appeal by Mr John Hanson from Mr Justice Nicholl's judgment dismissing his claim against Lorenz & Jones, a firm of solicitors, in a dispute arising out of a *joint venture* between the parties.

* * *

LORD JUSTICE MAY said that in October 1975 Aegis, a company owned and controlled by Mr Hanson, acquired for £600 the short unexpired residue of a lease at Cheyne Walk, London. Solicitors Lorenz & Jones acted for Aegis on that acquisition. The two principals of the firm were Mr Alan Lorenz and Mr Kenneth Jones.

After considering ways of dealing with the short residue of the lease Mr Hanson entered into an agreement dated May 25 with Clifton Charterhouse Securities, a company controlled by Mr Lorenz and by Mr Jones and his wife. One of Clifton's primary objects was the lending of money.

Clifton agreed to procure or advance Mr Hanson's legal costs in investigating his enfranchisement rights and the sums necessary to repair the property, plus the premium for a new lease. In consideration, Mr Hanson agreed to procure the assignment of the lease from Aegis to himself, and to hold his interest on trust for himself and Clifton in equal shares.

There were considerable delays on the part of the solicitors and Clifton in getting the project started, including the necessary building work. Mr Lorenz recommended a building company which was half-owned by him. At no time did Mr Lorenz, Mr Jones or Clifton disclose the connection to Mr Hanson.

Tenders were received at the end of January 1978 and the building company's quotation was the lowest by a substantial margin. A formal contract was entered into between the building company and Mr Hanson on June 9, 1978. It provided that the works were to be finished within 28 weeks from that date.

The works did not in fact begin till the end of August 1978. Even then, there were substantial delays. A certificate of completion was issued on May 12 1980, subject to a lengthy schedule of defects and non-completed work.

On May 19 the building company went into voluntary liquidation. It was insolvent. The property in Cheyne Walk was sold in March 1981 for £369,000.

In the interval an agreement dated August 22 1978 was made between the freeholder and Mr Hanson with Clifton as surety. Mr Hanson agreed to surrender his existing lease and to accept a new lease for 75 years in its place. Completion was fixed for March 25 1979, time being of the essence. Mr Hanson agreed that before that date he would carry out all works necessary to put the property in a good state of repair.

Surrender of the existing lease and the grant of a new lease were made conditional on the work being completed to the reasonable satisfaction of a surveyor by March 25, time again being of the essence. Completion took place on January 18 1980.

In connection with those transactions Mr Hanson made a number of claims against the solicitors and Clifton. The principal claim was that the solicitors placed themselves in a position in which their duty to him conflicted with their own interest and that his full, free and informed consent to the transaction was not forthcoming.

Mr Hanson contended the transactions should be re-opened and the solicitors ordered to account to him for any profit they had made.

Mr Justice Nicholls held that the relationship of solicitor and client had existed in so far as the various transactions were concerned, and that Mr Hanson had neither been advised to obtain nor had obtained competent independent advice.

Nevertheless, the judge went on to hold that when Mr Hanson signed the May 1977 agreement he appreciated the significance of its terms. *He entered into it* with his eyes open. Moreover, the terms were fair.

Accordingly, the claim failed.

In challenging that part of the judge's decision, Mr Hanson's counsel submitted that it was a fundamental rule of equity that a person in a fiduciary capacity must not make a profit out of his trust. A trustee must not place himself in a position where his duty and interest might conflict (see *Phipps v Boardman [1967] 2 AC 46*).

Where that was the situation the fairness of the transaction did not fall to be examined (see *Regal (Hastings) [1967] 2 AC 134, 144*).

The basic principle on which the judge relied was that set out in *Snell's Equity 28th ed page 250*: "A solicitor who purchases his property from his client . . . must show that the client was paid a fair price, and that he either was fully informed or had competent independent advice."

He held that the principle applied to transactions of loan between a solicitor and his client, just as they did to transactions of sale.

The principle stemmed from the wide rule in equity that a trustee or person in a fiduciary situation should not place himself in a position where his duty and interest might conflict.

In *Phipps v Boardman* Lord Upjohn said that though *Regal (Hastings)* was helpful for its restatement of the well-known principles, it bore no relationship to *Phipps v Boardman*, which was not concerned with trust property.

The present case also was not concerned with trust property.

In *Demerara Bauxite v Hubbard [1923] AC 673* Mr Hubbard accepted less than a fair sum from a person who stood to her in a confidential position, and whose offer she might not have accepted had all the relevant facts been placed before her.

Lord Parmoor in the Privy Council said: "The principle has long been established that in the absence of competent independent advice, a transaction between . . . solicitor and client, or in a confidential relationship of a similar character, cannot be upheld, unless the person claiming to enforce the contract can prove affirmatively that the person standing in such a confidential position has disclosed, without reservation, all the information in his possession, and can further show that the transaction was, in itself, a fair one, having regard to all the circumstances."

The principles outlined in that passage were expressly made referable to the facts. It was important to have in mind the somewhat different facts of the present case.

Halsbury's Laws 4th ed vol 44 para 121 expressed the rule: ". . . the solicitor should preserve such evidence as will enable him to show that the client was advised in the transaction as diligently as he would have been if he had been contracting with a stranger . . ."

With those principles in mind, the question was what was the nature and extent of the solicitors' obligations?

It was well settled, at least in the circumstances of the present case, that it was no part of the solicitors' duty to advise Mr Hanson about the business or financial prudence or imprudence of the proposed transaction. What was intended was a joint venture between him and the solicitors and their company.

Provided that Mr Hanson knew and understood the terms of the proposed joint venture and their implication, whether the proposed enterprise was prudent or not was a matter for him.

Consequently, if he needed or ought to have been given any advice, it would have been about the nature and effect of the transaction as exemplified by the May 1977 agreement and subsequent documents.

It was clear from the judge's findings that Mr Hanson was fully aware of the nature and effect of the proposed joint venture and all the relevant documents. Further, on an objective view the proposed transaction was fair to him.

In those circumstances, any obligations which the solicitors owed to Mr Hanson arising out of the fiduciary relationship of solicitor and client were quite clearly fulfilled. It followed that the judge was correct in concluding that Mr Hanson was not entitled to have the transactions set aside, nor to any account of the profits made.

Lord Justice Woolf and Sir Roualeyn Cumming - Bruce agreed.

For Mr Hanson: Charles Purle (Bischoff and Co.).

For the solicitors: J. J. Davis (Proctor Gillett).

By Rachel Davies
Barrister

APPOINTMENTS

Reorganisation at SUITS

A reorganisation of its various interests in Scotland and elsewhere *is being carried out* by SCOTTISH AND UNIVERSAL INVESTMENTS (SUITS). SUITS will remain the direct holding company for the 10 subsidiary companies but for management purposes four management regions will be created. Most of the present staff will continue to be employed within the new regions or within Lonrho, the parent company. In view of the approaching retirement of Mr K. A. Graham, group chief executive and managing director, changes will also be made in the pattern of board and executive appointments. The board of SUITS will be Mr R. W. Rowland, chairman, and Mr T. J. *Robinson, deputy chairman.* Mr Graham will continue as managing director, and the registered *office* will continue in Glasgow. Four management regions reporting directly to Lonrho, the corporate parent, will be: Newspapers, printing and publishing —embracing George Outram and Co, Scottish and Universal Newspapers, Holmes McDougall, Greenaway Harrison, Harrison and Sons, and Harrison Decorative Papers. Mr T. F. Cassidy will be regional chief executive and Mr J. R. Crawford, regional chairman. Whisky—which will *comprise* Whyte and Mackay Distillers. Mr G. M. Lunn will be regional chief executive and Mr Graham will continue as chairman. Motors—will comprise the Dutton-Forshaw Motor Group with Mr J. A. Smith as regional chief executive. Machinery and *engineering*—will comprise Dutton-Forshaw (Machinery), and Sportsworks, with Mr E. T. Weidmann as regional chief executive. Mr Cassidy, formerly managing director of George Outram and Co, will continue as managing director of the Today newspaper. He is succeeded as managing director of George Outram by Mr Ian J. *Irvine, previously acting managing* director. The SUITS pension and life assurance scheme will continue to operate as at present and Mr Graham will continue as chairman of the trustees.

★

Mr Kenneth O'Brien, formerly chief executive of Rush & Tompkins Group, has joined the SIBEC board as non-executive chairman. The present chairman and managing director, Mr Michael Birchall, will become *chief executive of the group.*

★

GARDINER WILKINSON CONTRACTS has appointed Mr Geoff Sandom as general manager.

★

GOTA (UK), wholly-owned subsidiary of Gotabanken, Sweden, has appointed Mr *Rainer Nigg, formerly with* Paribas (Suisse), Geneva, as Eurodollar bond trader.

★

Mr Tony Climpson has been appointed director, dairies division, for DAIRY CREST FOODS. He replaces Mr George Barrett, *who has retired. Mr Climpson* was sales and marketing director of Express Dairies.

★

Mr Philip Stamp, previously operations director with Martonair, has joined PARKER HANNIFIN'S cylinder division. He will be responsible for production *operations* at Watford and Rotherham.

★

The INSTITUTE OF PURCHASING AND SUPPLY has elected as president Mr T. H. *Griffiths, director of supplies* and transport, British Gas.

★

As part of its expansion plans the HALIFAX BUILDING SOCIETY has made two senior *management appointments.* Mr Derek Taylor, general manager finance, is to be appointed general manager estate agency. Mr Taylor will be responsible for the planning of the Society's *estate agency project* and for the acquisition, integration and development of the Society's estate agency subsidiaries, which form part of the plans for new services under new powers which will be put to members for approval at the end of November. Mr Grenville Folwell, the treasurer, will succeed Mr Taylor as general manager finance. Before joining the Halifax in April 1986, Mr Folwell was city treasurer of the City of Sheffield Metropolitan District *Council.*

★

Mr Iain A. Galloway, managing *director of the Lion of Kenya* Insurance Company, is to become managing director of *GUARDIAN ROYAL EX*CHANGE (ASIA), Hong Kong, next February. He will succeed Mr Jim McDonough, who will be returning to GRE's corporate head office in London as assistant general manager (operations). Mr Galloway joined GRE in 1954 at Edinburgh. He moved to Nigeria in 1964 where he *became* agency manager. In 1975 he was appointed managing director of GRE's Sierra Leone company and in 1981 he moved to GRE Australia where he became manager of special projects. He was made managing director of the Lion of Kenya Insurance Company in 1983.

★

REVLON INTERNATIONAL (UK) has appointed Mr Andrew Walker to the newly-created position of deputy managing director. He will succeed Mr Charles Scanlan as managing director. Mr Walker joined in May 1983 as general manager of the toiletries *division* and has recently also assumed responsibility for Charlie Cosmetics.

★

DEARDEN FARROW has appointed Mr David Tallon as senior partner in succession to Mr Ray *Whittaker* who retires in April 1987. Mr David Wilkinson has been appointed national managing partner in succession to Mr Norman Murray.

★

CASCADE (UK) has appointed Mr George T. Coughtrie to the board in a non-executive capacity.

★

Dr Mark Mobius, president of the International Investment Trust Company, in Taipei, has agreed to join the TEMPLETON GROUP. He will be the managing director of the group's Far East division in Hong Kong planned to open in early 1987.

★

ALLWOOD SEARLE AND TIMNEY, Walsall, has appointed Mr David Stott as managing director. He has been managing director of the company's subsidiary, Parametric. Mr Jack Searle and Mr Hugh *Timney,* founders of the company, will remain as members of the board as non-executive directors.

★

THORN EMI has appointed Mr John Brace to the board of *Thorn EMI* Electronics as director, international affairs. He will be replaced as managing *director of the radar division by* Mr W. A. "Bill" White.

★

Mr B. G. Sephton, traction *director,* Brush Electrical Machines has been elected chairman of the RAILWAY INDUSTRY ASSOCIATION OF GREAT BRITAIN. Mr Sephton is also the current chairman of the railway division of the Institution of Mechanical Engineers.

JAPAN META GROWTH FUND LIMITED

(A Company incorporated with limited liability in Guernsey on 30th October 1986 under the provisions of the Companies (Guernsey) Laws 1908-1973.)

OFFER FOR SUBSCRIPTION

of up to 4,000,000 participating redeemable preference shares of US$ 0.01 each ("Participating Shares") at US$ 10 per share payable in full on application.

The subscription lists will open at 10.00 a.m. Guernsey time on 20th November 1986 and may be closed at any time thereafter.

No allotment of Participating Shares will be made unless applications are received and accepted for at least 500,000 Participating Shares.

SHARE CAPITAL

Authorised US$	Divided into:	*Issued and now being issued fully paid* US$
100	100 Management Shares of US $1	100
300,000	30,000,000 Unclassified Shares of US$0.01, available for issue as Participating Shares or as Nominal Shares	40,000
300,100		40,100

The Directors expect to receive applications in aggregate for at least 900,000 Participating Shares from institutional investors.

This Prospectus contains particulars of Japan Meta Growth Fund Limited ("the Fund") for the purpose of giving information to the public in connection with the initial offer for subscription of up to 4,000,000 Participating Shares in the Fund at US$ 10 per share. This Prospectus does not constitute an offer of any shares for subscription after the closing of the subscription lists which open at 10.00 a.m. Guernsey time on 20th November 1986. Participating Shares are available for issue on the basis of the information and representations contained in this Prospectus. Any further information given or representations made by any person with respect to any Participating Shares must be regarded as unauthorised.

If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

The consent of the Advisory and Finance Committee of the States of Guernsey (under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1976) has been obtained to the issue of Participating Shares. It must be distinctly understood that in giving this consent the Committee takes no responsibility for the financial soundness of any schemes or for the correctness of any statements made or opinions expressed with regard to them.

This Prospectus shall have the effect, where application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than penal provisions) of Sections 82, 86 and 87 of the Companies Act 1985 of Great Britain, so far as applicable.

References in this Prospectus to "dollars", "$" and "cents" are to dollars or, as the case may be, cents in lawful currency of the United States of America.

No person receiving a copy of this Prospectus, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him, or such Form could lawfully be used without contravention of any registration or other legal requirements. Any person outside the United Kingdom wishing to make an application for Participating Shares hereunder must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

This Prospectus does not constitute an invitation or offer to any person resident in Guernsey, Alderney or Herm, and no such person (other than the Manager) shall be or become the owner of any Participating Shares or be entitled to take any benefit in any Participating Shares whether directly or indirectly. The attention of persons so resident is drawn to the definition of "qualified holders" in paragraph 7 of "Statutory and General Information" and the compulsory redemption powers of the Fund described in paragraph 8 of "Statutory and General Information".

Copies of this Prospectus and Application Form may be obtained from the Manager, Yamaichi Capital Management (Guernsey) Limited, 22 Smith Street, St. Peter Port, Guernsey, Channel Islands.

DIRECTORS

Hitoshi Ishihara, (Chairman),
17 St. James' Close, Prince Albert Road,
London NW8

Kiyotoshi Aiba,
24-62-2-1111, Tamagawa 2, Ota-Ku,
Tokyo, Japan

Shigenbou Iseki,
2-15-6, Yakumo, Meguro-Ku, Tokyo, Japan

Kiyoshi Imai,
7-4-26, Kishi-Machi,
Urawa-Shi, Japan

Mamoru Saito,
21 Mount Drive, Wembley, Middlesex

KEY INFORMATION

Investment Objective

The aim of the Fund is to achieve capital growth mainly by investing in Japanese companies which are benefiting from the current changes in the Japanese economy, which now ranks as the second largest economy in the non-communist world.

Investment Policy

It is intended that the portfolio shall consist, as to at least 75 per cent. by value, of listed Japanese and other Pacific Basin equities, but unlisted and over-the-counter stocks may also be acquired.

Redemption and Issue

Participating Shares may be redeemed at net asset value on any business day in Guernsey on or after 1st December 1986. (Participating Shares may also be issued on any such business day at net asset value but this Prospectus does not apply to any such issue).

Yield

As the investment aim of the Fund will be capital growth the dividends declared on Participating Shares are expected to be low.

Listing

Application has been made for Participating Shares to be admitted to the Official List of The Stock Exchange.

Manager

The Manager is the Guernsey subsidiary of Yamaichi International Capital Management Co., Limited, the fund management arm of the Yamaichi Group.

Charges and fees

The Manager's annual charge will be 0.95 per cent. per annum of the net asset value of the Fund. The Fund will be responsible for its operating expenses including the fee of the Custodian, Midland Bank Trust Corporation (Guernsey) Limited. The costs of formation are to be amortized over five years.

Taxation

The Fund is not expected to be liable either to Guernsey tax on its income nor (except by way of withholding tax) to Japanese tax.

The above information must be read in conjunction with the full text of this document from which it is derived.

SPONSOR AND MAIN DISTRIBUTOR

Yamaichi International (Europe) Limited,
Finsbury Court, Finsbury Pavement,
London EC2A 1EQ

MANAGER, REGISTRAR AND PAYING AGENT

Yamaichi Capital Management (Guernsey) Limited,
22 Smith Street, St. Peter Port,
Guernsey, Channel Islands
Telephone: Guernsey (0481) 23765
Telex: 4191586
Facsimile: (0481) 711593

INVESTMENT ADVISER TO THE MANAGER

Yamaichi International Capital Management Co., Limited,
5-1 Nihonbashi, Kabuto-cho,
Chuo-ku, Tokyo 103, Japan

STOCKBROKERS TO THE FUND

James Capel & Co.,
James Capel House, 6 Bevis Marks,
London EC3A 7JQ

CUSTODIAN AND SECRETARY

Midland Bank Trust Corporation (Guernsey) Limited,
22 Smith Street, St. Peter Port,
Guernsey, Channel Islands

AUDITORS

Peat, Marwick, Mitchell & Co.,
Chartered Accountants,
10 Lefebvre Street, St. Peter Port,
Guernsey, Channel Islands

BANKERS

Midland Bank plc,
13 High Street, St. Peter Port,
Guernsey, Channel Islands

LEGAL ADVISERS

In Guernsey:
Ozanne Van Leuven & Perrot,
1 Le Marchant Street, St. Peter Port,
Guernsey, Channel Islands
In England:
Herbert Smith,
Watling House, 35 Cannon Street,
London EC4M 5SD

JAPAN META GROWTH FUND LIMITED

Issue of up to 4,000,000 Participating Shares of 1 cent each at $10 per share payable in full on application.

INTRODUCTION AND OBJECTIVE

The Fund has been set up and is being promoted by the Manager, which is a wholly-owned subsidiary of Yamaichi Capital Management (Europe) Limited.

The Fund has been formed to provide a means of investment in a managed portfolio consisting, in the main, of equity shares in Japanese companies. The investment aim of the Fund will be capital growth. The Fund is open-ended and will operate similarly to a unit trust in that it may issue and redeem Participating Shares at prices based on their underlying net asset value. It is intended that the Fund will be managed and controlled outside the United Kingdom.

The Fund will be valued on every day on which banks are open for business in London and in Guernsey (a "business day"), commencing 1st December 1986. Participating Shares may be issued or redeemed on such business days at the issue or redemption price, calculated, as at that day, as set out in paragraph 4 or paragraph 5 of "Statutory and General Information". (However, it should be noted that this Prospectus does not apply to issues of Participating Shares on business days, but only to the initial offer for subscription at $10 per share). In certain exceptional circumstances, valuation of the Fund and issues and redemptions of Participating Shares may be suspended (see paragraph 9 of "Statutory and General Information").

INVESTMENT RATIONALE

As a result of the sharp rise of the Japanese yen against the dollar since September 1985 major changes have taken place in the Japanese economy, particularly with reference to the more rapid rate of growth in home demand relative to that of the export sector. Depending on the speed of these changes, the Directors expect that certain sectors of the economy will achieve increased growth and that this will be reflected in the prices of equity securities. The Directors intend that the Fund shall invest mainly in the equity securities of companies benefiting from such changes.

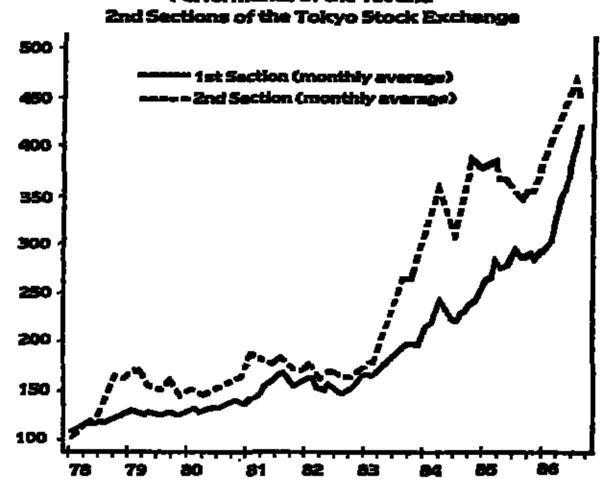
The primary purpose of the Fund is to achieve capital growth, by investment in Japanese companies which are expected to expand rapidly in response to this changing situation in the Japanese economy.

Japan now ranks as the second largest economy in the non-communist world. In the last twenty years it has generally enjoyed consistently high rates of economic growth and low levels of price inflation compared with most other industrialised countries.

In the opinion of the Directors this success has been built on long term government planning, flexibility on the part of industry, good labour relations and a high savings rate. The growth of the Japanese economy has been reflected in the growth of the stock market and its value. Today the aggregate market capitalisation of companies whose equity securities are listed on the Tokyo Stock Exchange is nearly five times larger than that of the companies listed on The Stock Exchange in London and, in yen terms, equity securities listed on the Tokyo Stock Exchange have achieved an annual total return of 16.9 per cent. over the last ten years (data from Frank Russell International). The Directors intend to invest both in the larger companies listed in the 1st Section of the Tokyo Stock Exchange and the smaller companies listed in the 2nd Section.

The following graph shows the performance of the 1st and 2nd Section Indices since January 1978, during which month they stood at 374.3 and 495.6 respectively. For the purposes of comparison both indices have been rebased to 100 as at January 1978.

Performance of the 1st and 2nd Sections of the Tokyo Stock Exchange



Base 100 at January 1978
Source: Tokyo Stock Exchange

In addition to the opportunities open for investment in Japan, the Directors may from time to time invest in other countries in the Pacific Basin. In the opinion of the Directors many of these countries have the potential to achieve similar rates of growth to those experienced by Japan since 1945.

INVESTMENT POLICY

The Directors intend that the Fund's portfolio shall consist predominantly of Japanese equity securities. It is intended that not less than 75% by value of the portfolio shall consist of Japanese and other Pacific Basin securities listed, dealt in or quoted on a recognised stock exchange or the NASDAQ system.

The Fund will also invest (subject to the restrictions set out below) in unlisted securities and those dealt in on over-the-counter markets. It is also intended that the Fund may invest in convertible bonds, bonds with warrants to subscribe for equity securities, warrants, stock indices, bond futures contracts, and, if and when available, financial futures, as well as equity securities.

The Directors intend that the Fund's income shall be derived wholly or mainly from shares or other securities but do not intend to attach importance to income yield in selecting stocks for investment by the Fund.

The Directors have instructed the Manager to observe the following specific restrictions with a view to minimising financial risk:—

(a) To avoid engaging in speculative short term bond transactions;
(b) To ensure that not less than 90 per cent. by value of the Fund's portfolio consists of readily marketable stocks;
(c) Not to acquire legal or management control of the Fund's investments;
(d) Not to acquire, otherwise than by reason of merger or reconstruction, or increase the Fund's holding of, the securities of any one company, if the effect of the acquisition or increase would be that the value of such securities would represent more than 10 per cent. of the net asset value of the Fund;

JAPAN META GROWTH FUND LIMITED

(e) Not to acquire any securities of other open-ended investment companies, mutual funds or unit trusts except temporarily for the purposes of merger or reconstruction (but not in any event to acquire or increase the Fund's holding of such securities if, as a result of so doing, more than 5 per cent. of the Fund's net asset value would be represented by such securities);

(f) Not to underwrite new issues for the account of the Fund;

(g) Not to acquire more than 5 per cent. of the amount of any particular issue of securities;

(h) Not to acquire or increase the Fund's holding of securities which are neither listed nor dealt in on any recognised stock exchange nor quoted on the NASDAQ system if the effect of such acquisition or increase would be that the aggregate value of such securities would represent more than 25 per cent. of the Fund's net asset value; and

(i) Not to acquire or increase the Fund's holding of securities issued by any one undertaking in which the Fund's interest amounts to 20 per cent. or more of the total issued equity capital.

The investment policy set out in this Prospectus will be adhered to until at least October 1989.

Acquisitions of securities will be financed out of the proceeds of this issue and further issues of Participating Shares made as described in paragraph 4 of "Statutory and General Information". Funds held temporarily pending investment or re-investment may be placed on deposit with a bank, or applied in the acquisition of certificates of deposit or similar financial instruments.

It should be borne in mind that the price of Participating Shares can go down as well as up.

THE MANAGER AND THE INVESTMENT ADVISER

The Manager of the Fund is Yamaichi Capital Management (Guernsey) Limited, a wholly-owned subsidiary of Yamaichi International Capital Management Co., Limited of Tokyo, the Investment Adviser, which has been retained by the Manager to advise the Directors and the Manager in relation to the Fund's portfolio and to carry out certain other functions.

The Investment Adviser was established in 1971 and its activities consist chiefly of portfolio management for clients both inside and outside Japan. The Investment Adviser has available, in addition to its own internal research unit, the resources, including 100 analysts, of Yamaichi Research Institute of Securities and Economics, Inc. and access to the Yamaichi Group's global network, which includes offices in New York, Hong Kong, Singapore, Sydney and Melbourne, and the Yamaichi Group's data base and computer facilities. On 31st July 1986 the Investment Adviser had under management funds totalling 768,700 million Japanese yen (equivalent to $4,986 million at a yen/dollar exchange rate of 154.15).

DIVIDENDS

The yield on Japanese equities is normally low (usually less than one per cent. per annum). Although the Directors intend that all of the Fund's dividend and interest income (after provision for expenses of management) shall be distributed by way of annual dividend to the holders of Participating Shares, the Directors do not expect that substantial dividends will be declared on Participating Shares. Participating Shares will therefore be more attractive to those investors who are seeking long term capital growth. The Articles of Association of the Fund ("the Articles") provide that appreciations or surpluses realised on the disposal of investments or other property may not be distributed by way of dividend.

DIRECTORS

Mr. H. Ishihara, aged 51, is the chairman of the Fund. He is a director of Yamaichi Securities Co., Limited and the managing director of Yamaichi International (Europe) Limited. He graduated from Waseda University in 1960 with a degree in politics and economics and he joined Yamaichi Securities Co., Limited in that year. He has been engaged in various types of securities business for more than 25 years.

Mr. K. Aiba, aged 51, is a director of the Investment Adviser. In 1958 he graduated from Keio University with a degree in economics and in that year joined Yamaichi Securities Co., Limited (of which he was general manager between 1982 and 1984, when he took up his present post). He has been engaged in investment analysis for some ten years.

Mr. K. Imai, aged 51, is the general manager of the Investment Adviser. He graduated from Keio University with a degree in economics in 1959 and joined Yamaichi Securities Co., Limited in that year. He was the general manager of Yamaichi Research Institute of Securities and Economics, Inc. between 1981 and 1983. He has been engaged in investment analysis for more than 20 years.

Mr. S. Iseki, aged 56, is a senior managing director of the Investment Adviser. He graduated from Keio University with a degree in law in 1954 and joined Yamaichi Securities Co., Limited in that year. He was one of the managing directors of Yamaichi Securities Co., Limited between 1984 and 1985 when he took up his present post. He has been responsible for supervision of investment management for more than two years.

Mr. M. Saito, aged 50, is the managing director of Yamaichi Capital Management (Europe) Limited. He graduated from the University of Tokyo with a degree in law in 1960 and joined Yamaichi Securities Co., Limited in that year. He became deputy general manager of Yamaichi Securities Co., Limited in 1978 and held that office until taking up his present post in 1984. He has at various times in his career with the Yamaichi Group been engaged in equities dealing, corporate finance work and investment administration.

MANAGEMENT AND ADMINISTRATION

The Directors will, after taking into account the advice of the Investment Adviser, formulate the Fund's investment policy and supervise its implementation. The Manager will implement such policy, with the guidance, where necessary, of the Investment Adviser.

The Manager will act as registrar and paying agent for Participating Shares. It will also be responsible for the day to day administration of the Fund, including acquisition and disposal of securities, collection of the Fund's income, issues and redemptions of Participating Shares and the payment of such dividends as may be declared.

The Custodian, Midland Bank Trust Corporation (Guernsey) Limited, will be responsible for the safe keeping of all of the Fund's assets. The Custodian will delegate to Yamaichi Securities Co., Limited of Tokyo the safe custody of all Japanese securities.

Midland Bank Trust Corporation (Guernsey) Limited has also been appointed the Fund's secretary.

CHARGES AND FEES

No initial charge will be made by the Manager on the issue of Participating Shares pursuant to the offer for subscription, nor will any commission be paid by the Fund or the Manager to intermediaries introducing subscribers. The Manager is entitled to levy a preliminary charge, on the issue of Participating Shares following the close of the offer for subscription, of an amount per share not exceeding 3 per cent. of the net asset value attributable to each share so issued. Such charge may be reallowed to recognised agents or waived by the Manager, in each case at its discretion.

The Manager is also entitled, under its agreement with the Fund, to receive for its services a fee from the Fund at the rate of 0.95 per cent. per annum of the net asset value of the Fund computed as for the purposes of the issue price. The fee will be calculated daily, but paid (as regards the amount accrued during each calendar month) on the first business day of the next calendar month. In addition, the Manager is entitled to be reimbursed the amount of telephone, telex, telecopying, data preparation, postage and printing charges reasonably incurred by it in the performance of its duties for the Fund.

The Custodian is entitled to a fee for its services which is described in paragraph 13 of "Statutory and General Information".

To the extent that the Fund's revenue in any accounting period is insufficient to discharge the Fund's operating expenses such expenses may be charged to capital. Further details of such expenses are contained in paragraph 11(c) of "Statutory and General Information".

TAXATION

The Administrator of Income Tax in Guernsey has confirmed that, on the basis of the proposed operation of the Fund as described in this Prospectus, the Fund will be eligible for exemption from taxation in Guernsey under the provisions of the Income Tax (Exempted Companies and Trusts) (Guernsey) Ordinance 1984. The Fund will seek such exemption, which will be granted on payment of an initial fee of £1,300 and thereafter an annual fee of £1,300. It is intended that the Fund will be resident in Guernsey.

Guernsey does not at present levy inheritance tax, estate duty, gift tax, capital gains tax, wealth tax or value added tax. No Guernsey stamp duty is payable on issue, transfer or redemption of Participating Shares. Any dividends paid by the Fund will not be subject to Guernsey taxation.

The Fund will not be liable to Japanese tax on its income or capital gains. However, the Fund may suffer withholding tax on its investment income levied by the countries where such income arises. In particular, dividends and interest from Japanese securities will be subject to Japanese withholding tax (in respect of which neither the Fund nor holders of Participating Shares will be entitled to credit or repayment), currently at the rate of 20 per cent.

Except where a holder of Participating Shares utilises the services of a banker or any other person in the United Kingdom to collect dividends on his behalf (in which event no responsibility is assumed by the Fund for withholding of any United Kingdom tax) no tax will be withheld at source in the United Kingdom from any dividends on Participating Shares.

The attention of investors resident or ordinarily resident in the United Kingdom is drawn to the following:—

(a) A holding of Participating Shares will be a "material interest" in an "offshore fund" for the purposes of Chapter VII of Part II (Offshore Funds) of the Finance Act 1984 of the United Kingdom ("Chapter VII"). The provisions of Chapter VII will not however adversely affect a holder of Participating Shares if, for each of its account periods during such holder's period of ownership, the Fund is certified as a "distributing fund". Such certification is granted in retrospect and it will not be known for some time after the first accounting date (31st October 1987) whether such certification has been obtained for the first accounting period. The Directors intend to apply for certification at the appropriate time and to conduct the Fund's affairs, insofar as this is consistent with the Fund's investment objectives, in such a way as to permit of its certification. If, however, the Fund is not certified, a holder of Participating Shares who is resident or ordinarily resident in the United Kingdom may, on disposal of Participating Shares (including death), realise an "offshore income gain" (taxable as income) subject to any applicable exemption from tax.

(b) Under the provisions of Chapter VII, a holder or former holder of Participating Shares resident or ordinarily resident in the United Kingdom will be liable to United Kingdom taxes on income (subject to any applicable exemption from tax) on that part (if any) of the redemption price of Participating Shares which represents undistributed income of the Fund for the period in which such redemption took place.

(c) The Board of Inland Revenue have given clearance under Section 464 of the Income and Corporation Taxes Act 1970 of the United Kingdom ("the Taxes Act") in respect of the transactions in securities involved in the redemption of Participating Shares.

(d) Under Sections 478 - 481 of the Taxes Act (as amended by Sections 45 and 46 of the Finance Act 1981) individuals ordinarily resident in the United Kingdom may be liable to taxation in respect of the undistributed income or profits of the Fund.

(e) Companies resident in the United Kingdom which have a direct or indirect holding of Participating Shares may in certain circumstances be liable to United Kingdom corporation tax in respect of income or profits of the Fund under Chapter VI of Part II (Controlled Foreign Companies) of the Finance Act 1984 of the United Kingdom. This will not normally be the case except where, under the provisions of Chapter VI, ten per cent. or more of the Fund's profits could be apportioned to a United Kingdom resident company.

(f) Holders of Participating Shares who are resident or ordinarily resident in the United Kingdom may, subject to any applicable exemption from tax, be liable to United Kingdom capital gains taxation on gains accruing to them on disposal (including redemption) of Participating Shares, insofar as such gains are not taxed as income (as described at (a) or (b) above, or otherwise).

(g) Holders of Participating Shares who are domiciled, or deemed to be domiciled, in the United Kingdom may be liable to inheritance tax on death or in relation to certain dispositions of Participating Shares.

These comments regarding tax are based on the law and practice currently in force and are therefore subject to change.

Investors are recommended to consult their professional advisers on the potential tax consequences of subscribing for, purchasing, holding, redeeming or selling Participating Shares under the laws of their country of citizenship, domicile or residence.

ISSUE OF PARTICIPATING SHARES

Up to 4,000,000 Participating Shares will be available for issue at a price, payable in full on application, of $10 per share. The application procedure is set out in full below. Prospective investors should note in particular that a duly completed Application Form, together with payment of the subscription price for the shares applied for, must reach the Manager, Yamaichi Capital Management (Guernsey) Limited, by 10.00 a.m. Guernsey time on 20th November 1986 to ensure that the application is considered.

REDEMPTION OF PARTICIPATING SHARES

A holding of Participating Shares may be redeemed in part or in total on a business day on or after 1st December 1986 by giving notice to the Manager to that effect by telex, fax or written notice, or by completing and sending to the Manager the relevant share certificate(s) with the redemption request on the reverse duly completed, so that the notice or certificate is received not later than 4.00 p.m. on the business day. Payment will be made (by a dollar cheque posted to the applicant at his risk) on the fifth business day (in Guernsey) after the relevant business day ("a Settlement Day"), but will be deferred until receipt by the Manager of the share certificate(s) with a duly completed redemption request.

The redemption price will be calculated as described in paragraph 5 of "Statutory and General Information". The Directors have the right to adjust the valuation of the Fund's net assets to reflect the estimated net proceeds of realisation of the underlying assets, in relation to redemptions effected on a business day on which requests have been made for redemption of 10 per cent. or more of the Participating Shares in issue.

If, on each business day falling within a period of three consecutive calendar months after 30th October 1987, the value of the Fund's net assets should be less than $3,000,000, then the Fund may redeem all the Participating Shares then outstanding, by giving to the holders of Participating Shares four weeks notice expiring on a business day, at the redemption price calculated as at that business day. All Participating Shares not previously redeemed will be redeemed by the Fund on the last business day in 2086 at the redemption price ruling on that business day unless the Fund in general meeting resolves otherwise.

The Directors have the right temporarily to suspend the valuation of the Fund and the redemption of Participating Shares for reasons including the suspension of trading on a stock exchange or market on which a material part of the Fund's assets are listed or dealt in or for any other reason whereby the value of the Fund's underlying assets cannot be ascertained (see paragraph 9 of "Statutory and General Information"). The Directors reserve this right to protect the Fund in circumstances where a value cannot readily be ascertained for the assets, or where their sale becomes impractical at a proper valuation. Should this situation arise, the Articles require that notices to that effect be inserted in the *Financial Times*.

Further information on the redemption of Participating Shares appears in paragraph 8 of "Statutory and General Information".

ACCOUNTS AND PUBLICATION OF PRICES

The financial year of the Fund ends on 31st October and the first accounting period will end on 31st October 1987. A report and audited accounts in respect of the Fund's preceding accounting period will be distributed to shareholders at least 21 days before the annual general meeting which will be held in Guernsey. Shareholders will also receive unaudited half-yearly reports.

Prices of Participating Shares will be calculated on every business day and published in the Offshore, Overseas & Money Funds Section of the *Financial Times* (under "Yamaichi Capital Management (Guernsey) Ltd").

APPENDIX

Statutory and General Information

1. DIRECTORS AND BORROWING

The Articles contain provisions (inter alia) as follows:—

(a) A director need not be a member of the Fund.

(b) The directors of the Fund for the time being ("the directors") are entitled to such remuneration as may be voted to them by the Fund in general meeting. The directors may be paid expenses incurred in connection with the business of the Fund.

(c) The directors shall restrict the borrowings of the Fund and (as far as the Fund's powers of control can procure) its subsidiaries so as to secure that the same shall not (save with the sanction of a resolution of the holders of Participating Shares passed at a separate meeting of such holders) exceed one quarter of the net asset value of the Fund, ascertained as for the purposes of calculating the issue price of Participating Shares.

(d) Any director may act in a professional capacity for the Fund (other than as auditor) and shall be entitled to remuneration for such professional services. A director may also hold any other office or place of profit under the Fund or under any other company in which the Fund may be interested and (unless otherwise agreed) no such director shall be accountable for any remuneration or other benefits received by him therefor.

(e) A director may contract with the Fund, and no contract or arrangement made by the Fund in which any director is in any way interested shall be liable to be avoided.

(f) A director may not vote in respect of any contract or arrangement in which he is materially interested, nor may he be counted in a quorum at a meeting in relation to any resolution on which he is debarred from voting, except where his interest relates solely to:-

(i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Fund or any of its subsidiaries:

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Fund or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Fund or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof: or

(iv) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent. or more of the issued shares of any class of such company (or any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for these purposes to be a material interest in all circumstances).

The Articles provide that a director may vote and be counted in the quorum at a meeting to consider the appointment, or the fixing or variation of the terms of appointment, of any director to any office or employment with the Fund or any company in which the Fund is interested, but that a director may not vote or be counted in the quorum on a resolution concerning his own appointment.

The Articles contain no provisions requiring directors to retire on attaining a particular age.

No Director has a service contract with the Fund, and no such service contract is proposed.

No Director has any interest in any shares of the Fund.

It is estimated by the Directors that the remuneration and expenses which will be payable by the Fund to them for the first accounting period will not exceed $10,000.

2. CORPORATE STRUCTURE, SHARE CAPITAL AND CLASS RIGHTS

The principal object of the Fund is set out in clause 3(a) of its Memorandum of Association and is to carry on business as an investment company and to acquire, invest in and hold by way of investment, securities, deposits, options, mortgages and policies of assurance of various issuers and from time to time to sell, assign, exchange, vary, surrender or dispose thereof.

The authorised share capital of the Fund is $300,100 divided into 100 Management Shares of $1 each and 30,000,000 Unclassified Shares of 1 cent each. Unclassified Shares may be issued by authority of the directors, and either as Participating Shares or as Nominal Shares. 100 Management Shares have been issued and are beneficially owned by the Manager. At the date hereof no Unclassified Shares have been issued. The rights attached to each class of share are set out below:—

(a) *Participating Shares*. Participating Shares, which may be issued only in registered and not in bearer form, carry the right to all dividends which the Fund may declare.

Holders of Participating Shares are entitled to receive notice of general meetings of the Fund and to attend and vote at such meetings. On a poll each holder is entitled to one vote for each Participating Share held by him and, on a show of hands, to one vote, irrespective of the number of such shares held.

Participating Shares rank first on a winding-up for repayment of capital paid up thereon and, in addition, have the right to all surplus assets available for distribution to shareholders after repayment of capital paid up on the Nominal and Management Shares.

(b) *Nominal Shares*. All Nominal Shares will normally be issued only to the Manager and carry no right to a dividend. Holders of Nominal Shares are entitled to receive notice of general meetings and to attend and vote. On a poll each holder is entitled to one vote and, on a show of hands, to one vote, in each case irrespective of the number of such shares held.

On a winding-up the Nominal Shares rank after the repayment of the capital paid up on the Participating Shares for the repayment of capital paid up thereon but are not entitled to participate in any surplus assets.

Nominal Shares can only be issued at par for the purpose of providing funds for the redemption of the par value (1 cent) of the Participating Shares, which would otherwise have to be paid out of distributable profits in order to meet the requirements of Guernsey law.

Nominal Shares are redeemable at par at the option of the Fund and may be converted into Participating Shares at any time when Participating Shares may be issued upon payment to the Fund of an amount equal to the excess of the issue price at the relevant time over the nominal value thereof.

(c) *Management Shares*. The Management Shares are not redeemable and carry no right to a dividend. 100 Management Shares are owned by the Manager.

The holders of Management Shares are entitled to receive notice of general meetings and to attend and vote. On a poll, each holder of Management Shares is entitled to one vote for each share held by him and, on a show of hands, to one vote, irrespective of the number of such shares held.

On a winding-up, the Management Shares rank for the return of capital paid up thereon after the return of capital paid up on the Participating Shares and the Nominal Shares but are not entitled to participate in any surplus assets.

The Management Shares exist solely to ensure that the share capital structure complies with Guernsey law which requires that the redeemable shares (namely the Participating Shares and the Nominal Shares) should have preference over another class of capital.

(d) *Variation of Class Rights*. The rights attached to the shares of any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Fund is being wound-up, be varied with the consent in writing of holders of three-fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of that class by a majority of three-fourths of the votes cast at such a meeting.

The rights attached to the Participating Shares shall not be deemed to be varied by any of the following:—

(i) by the creation, allotment or issue of any further shares ranking pari passu with the Participating Shares;

(ii) by the creation, allotment or issue of Management Shares;

(iii) by the creation of Unclassified Shares;

(iv) by the allotment, issue or redemption of Participating Shares;

(v) by the allotment, issue or redemption of Nominal Shares;

(vi) by the conversion of Nominal Shares into Participating Shares;

(vii) (where two or more classes of Participating Shares are in issue) by the payment of a dividend on any class of Participating Shares;

(viii) by the designation of any Unclassified Shares as Participating Shares or as Nominal Shares; or

(ix) by the liquidation of the Fund and distribution of its assets to its members in accordance with their rights, or the vesting of its assets in, or in trustees for, its members in specie.

3. VALUATION OF NET ASSETS

(a) General. The assets of the Fund will be valued as at the close of business on the Tokyo Stock Exchange on each business day, or 9.00 a.m. Guernsey time, on any business day on which the Tokyo Stock Exchange is closed (a "Valuation Point"). The net asset value of the Fund is calculated by:—

(i) ascertaining and valuing the Fund's assets (defined as described at (b) below and valued in accordance with the rules set out at (c) below) and converting any values in currencies other than dollars into dollars at the rate selected by the directors as the ruling exchange rate as follows;

—in the case of conversion from sterling to dollars, the closing rate ruling in the London foreign exchange market on the last business day (in London) before the relevant business day, as shown in the *Financial Times*;

— in the case of conversion from yen to dollars, the closing rate on the Tokyo foreign exchange market on the relevant business day;

(ii) deducting from the aggregate value so found the amount (so converted into dollars) of the Fund's liabilities of whatever kind at the Valuation Point (including if unpaid the price for Participating Shares which have been redeemed or whose allotment has been cancelled);

(iii) deducting the paid up capital on the Nominal Shares and the Management Shares; and

(iv) for the purpose of computing the redemption price on a business day on which 10 per cent. or more of the Participating Shares in issue fall to be redeemed, deducting the difference between the aggregate value ascertained at (i) and the amount estimated by the directors to be the net proceeds of realisation of the Fund's assets.

The discretion of the directors referred to at (iv) above has been delegated to the Manager.

JAPAN META GROWTH FUND LIMITED

(b) *Assets.* The Articles provide that the Fund's assets for valuation purposes comprise:—

(i) all investments owned or contracted for by the Fund (including bonds, time notes, shares, stock, debenture stock, subscription rights, warrants, options and other securities);

(ii) all cash on hand, on loan, on deposit or on call (including any interest accrued thereon);

(iii) cash payments due, or other property transferable, to the Fund on the issue of any Participating Shares allotted or provisionally allotted;

(iv) all bills, demand notes, promissory notes and accounts receivable;

(v) interest accrued on interest bearing investments of the Fund except insofar as such interest is reflected in the valuation adopted by the directors of some other asset of the Fund;

(vi) the preliminary expenses of the Fund, the expenses of any prospectus and the expenses of obtaining a listing for Participating Shares on any stock exchange insofar as (in each case) they have not been amortised; and

(vii) other assets of any kind, including prepaid expenses, as valued and defined from time to time by the directors.

The discretion of the directors referred to at (vii) above has been delegated to the Manager.

(c) *Valuation Rules.* The Articles provide that the Fund's assets are to be valued at each Valuation Point as follows:—

(i) subject to the rules summarised at (v), (vi), (vii) and (viii) below, assets listed, quoted or dealt in on a securities market (including financial futures, warrants and rights expressed by reference to stock indices) are to be valued at the market dealing price on the market which the directors consider to be the principal market for the asset concerned at (in the case of assets for which the directors consider the Tokyo Stock Exchange to be the principal market) the close of business which is the Valuation Point or (in the case of other assets) the last close of business on the principal market for such assets before the Valuation Point. If separate bid and offer prices are quoted, the price adopted for valuation purposes is the lower, bid price, increased by one-half of the difference between the two prices;

(ii) the value of any cash on hand or on deposit and accounts receivable, prepaid expenses, dividends and interest declared or accrued and not yet payable shall be deemed to be the full amount thereof, plus accrued interest where applicable, unless the directors shall have determined that any such asset is not worth such amount, in which case such asset shall be valued at the directors' estimate of its reasonable value;

(iii) certificates of deposit acquired at their nominal value shall be valued at cost plus accrued interest from the date of acquisition on the nominal value at the coupon rate. Certificates of deposit acquired at a discount or premium shall be valued at their cost plus accrued interest from the date of acquisition on the nominal value at the coupon rate, adjusted by an amount equal to the discount or premium at which they were acquired divided by the number of days unexpired at the date of acquisition and multiplied by the number of days elapsed from the date of acquisition to the Valuation Point;

(iv) treasury bills and bills of exchange shall be valued at their cost, plus accrued interest (where applicable) calculated by dividing the discount (if any) at which they were acquired by the number of days unexpired at the date of acquisition and multiplied by the number of days elapsed from the date of acquisition to the Valuation Point;

(v) the value of non interest-bearing assets whose quoted price is "ex" a dividend (or other benefit) will be adjusted (if the dividend or other benefit has not yet been received) by the addition to such price of the amount estimated by the directors to be equal to the amount or value of the dividend or benefit;

(vi) in the case of any asset to which the rules summarised at (i) to (v) do not apply or where their application would not in the opinion of the directors result in the establishment of a fair value (either because no price quotations are for the time being available or for any other reason whatsoever) the asset shall be valued in such manner (at the Fund's expense) and with the assistance of such person as the directors shall determine;

(vii) notwithstanding the rules summarised at (i) to (vi) above, where an option subsists for another person to purchase an asset from the Fund or for the Fund to sell an asset to another person, but such option has not been exercised, the value of the asset concerned shall be taken to be the price at which the option is exercisable, at any time at which such price is (in the case where another person is entitled to purchase) lower than, or (in the case where the Fund is entitled to sell to another person) higher than, the price by reference to which the value would otherwise be calculated; and

(viii) notwithstanding the rules summarised at (i) to (vii) above, if any asset is realised or contracted to be realised for a known price, the net proceeds of such realisation (subject to adjustment for delayed receipt, where appropriate) shall be taken in lieu of any other value for the asset concerned.

The Articles provide that valuations made pursuant to the provisions summarised above shall be binding on all persons concerned. The discretions of the directors referred to at (i), (ii), (v), (vi) and (viii) above have been delegated to the Manager.

4. SUBSEQUENT ISSUES OF PARTICIPATING SHARES AND ISSUE PRICE

Participating Shares may be issued and allotted on any business day and there are no pre-emption or similar rights in favour of existing holders of such shares. The issue price per share of any Participating Shares allotted on a business day after the close of the offer for subscription will be equal to the net asset value of the Fund calculated as described in paragraph 3 above, reduced by the Fund's net undistributed income, divided by the number of Participating Shares in issue). There will be payable in addition to the subscription price an equalisation payment (equal to the Fund's net undistributed income on the business day on which the share is issued, divided by the number of Participating Shares in issue) and the total of the subscription price and the equalisation payment will be rounded up, where necessary, to the nearest cent. In addition there will be payable a preliminary charge (of a whole number of cents per share, payable to the Manager (which the Manager may waive, reduce or re-allow to recognised agents at its discretion) not exceeding three per cent. of the rounded total of the subscription price and the equalisation payment.

Settlement arrangements will be determined by the directors. Where the amount payable exceeds $100,000 the directors will normally require a telegraphic transfer of the subscription monies for value on the business day on which the Participating Shares are to be allotted. In certain circumstances the directors may allow settlement within 5 business days of the date of allotment.

It is emphasised that these terms apply only to Participating Shares issued on or after 1st December 1986, and not to shares issued under the offer for subscription, in respect of which no preliminary charge is payable (and, consequently, no commission will be paid by the Fund or the Manager to agents).

5. REDEMPTION PRICE

The redemption price per Participating Share redeemed on any business day will be equal to the net asset value per Participating Share (that is to say, the net asset value of the Fund calculated as described in paragraph 3 above divided by the number of Participating Shares in issue), rounded up (where necessary) to the nearest cent. If no dividend has previously been paid on such share, whilst held by its current holder, the amount payable will include a payment from the equalisation account.

6. EQUALISATION

In order to ensure that all distributions of dividend for the same period are of the same amount, all equalisation payments received on the issue of Participating Shares during a particular period selected by the directors (a "grouping period") are aggregated and set aside in the equalisation account. On the first distribution of dividend on a Participating Share following its issue, a capital amount is returned to the holder. This capital amount is calculated by dividing the aggregate of all equalisation payments received on issues within the relevant grouping period by the number of Participating Shares issued during that period. If a Participating Share is redeemed before any dividend has been paid on it to the redeeming holder, such part of the redemption price attributable to net undistributed income of the Fund as is equal to the equalisation payment made on the issue of the share is taken from the equalisation account. The part of the redemption price of Participating Shares redeemed during any period which is attributable to net undistributed income of the Fund as at the Valuation Point before redemption of the Shares concerned is deducted from the amount of income available for distribution for that period.

7. QUALIFIED HOLDERS

Participating Shares may only be issued to and held by qualified holders. "Qualified holders" are the Manager and any other persons who are not:—

(a) persons who are resident in Guernsey, Alderney or Herm for the purposes of taxation; or

(b) persons acting as trustees or nominees for persons resident in Guernsey, Alderney or Herm for the purposes of taxation.

8. FURTHER PROVISIONS REGARDING REDEMPTION

(a) A holder of Participating Shares may not withdraw a request for redemption except in the event of a suspension of the determination of prices and in such event a withdrawal will only be effective if actually received by the Fund before the termination of the period of suspension. If the request is not so withdrawn the redemption or purchase of the Participating Shares will be made on the business day next following the end of the suspension.

(b) If a request for redemption relates to part only of a holding of Participating Shares, and, if the request were complied with, the holder would retain Participating Shares with an aggregate value (calculated as for the purposes of the issue price) of less than $5,000, the directors may redeem the Participating Shares which would otherwise have been retained.

(c) The Manager and the directors are entitled to redeem compulsorily any Participating Shares owned directly or beneficially by any person who is not a qualified holder (see paragraph 7 above).

9. TEMPORARY SUSPENSION OF VALUATION OF ASSETS

Under the Articles, the directors may suspend the determination of the Fund's net asset value, and the issue and redemption of shares, during any period when:—

(a) any securities market on which any material part of the Fund's assets are quoted, listed or dealt in is closed (other than customary weekend and holiday closing) or trading on any such securities market is restricted; or

(b) circumstances exist as a result of which, in the opinion of the directors, it is not reasonably practicable for the Fund to dispose of any material part of its assets or fairly to determine the value of the Fund's assets; or

(c) a breakdown occurs in any of the means normally employed by the directors in ascertaining the value of the Fund's assets.

10. AUDITORS' REPORT

The report of Messrs. Peat, Marwick, Mitchell & Co., the Fund's auditors, is set out below:—

10 Lefebvre Street,
St. Peter Port,
Guernsey,
Channel Islands

4th November 1986

The Directors,
Japan Meta Growth Fund Limited.

Gentlemen,

Japan Meta Growth Fund Limited was registered in Guernsey on 30th October 1986. As at the date of this report it has not commenced business and accordingly no accounts have been prepared and no dividends have been paid.

Yours faithfully,

PEAT, MARWICK, MITCHELL & Co."

11. GENERAL

(a) The registered office of the Fund is 22 Smith Street, St. Peter Port, Guernsey, Channel Islands.

(b) The minimum amount which is, in the opinion of the Directors, required to be raised by this issue to provide for the matters set out in paragraph 2 of Schedule 3 to the Companies Act 1985 of Great Britain is $5,000,000 made up as follows:—

(i) purchase price of property — nil;
(ii) preliminary expenses payable by the Fund — $200;
(iii) issue expenses payable by the Fund — $360,000;
(iv) working capital — $4,639,800.

(c) The Fund has no subsidiaries.

(d) (i) Mr H. Ishihara, the chairman of the Fund, is a full time executive director of Yamaichi International (Europe) Limited, the Sponsor, which is a wholly owned subsidiary of Yamaichi Securities Co., Limited, which has a substantial direct and indirect shareholding in Yamaichi International Capital Management Co., Limited, the Investment Adviser, which is the fund management arm of the Yamaichi Group.

(ii) Mr. K. Aiba and Mr. S. Iseki are directors, and Mr. K. Imai is general manager, of the Investment Adviser, which is a holding company of the Manager, Yamaichi Capital Management (Guernsey) Limited.

(iii) Mr. M. Saito is the managing director of Yamaichi Capital Management (Europe) Limited, a subsidiary of the Investment Adviser.

(iv) The Manager and the Investment Adviser have agreed to provide services to, respectively, the Fund and the Manager for remuneration.

(v) Yamaichi Securities Co., Limited will carry out certain sub-custodian activities in relation to the Fund and will be remunerated by the Fund therefor.

(vi) The Fund may from time to time acquire securities from or through Yamaichi Securities Co., Limited and other members of the Yamaichi Group, and the agreements between the Fund and the Manager and between the Manager and the Investment Adviser provide that Yamaichi Securities Co., Limited, and other members of the Yamaichi Group who may be concerned, are not accountable to the Fund for commission or profits arising from such transactions.

(vii) Members of the Yamaichi Group (other than the Manager and the Investment Adviser) may act for persons who wish to subscribe for Participating Shares. Such members are not accountable to the Fund for any commission or charges paid to them in relation thereto.

(viii) Save as aforesaid, none of the Directors has or has had any interest, direct or indirect, in the promotion of the Fund or in any transaction effected by the Fund up to the date of this Prospectus which is or was unusual in its nature or conditions or significant in relation to the business of the Fund.

(e) The Fund is not engaged in any litigation or arbitration and no litigation or claim is known by the Directors to be pending against the Fund.

(f) No capital of the Fund is under option or has been agreed conditionally or unconditionally to be put under option.

(g) Save as disclosed herein, no payment or other benefit has been or is to be paid to or given to any promoter of the Fund.

(h) No part of the issue is being underwritten. Save as disclosed herein, no commissions, discounts, brokerages or other special terms have been, or are proposed to be, granted to any person for subscribing or agreeing to subscribe, or procuring or agreeing to procure, subscriptions for any shares or debentures of the Fund.

(i) The Fund has not established a place of business in the United Kingdom.

(j) Dividends which remain unclaimed for twelve years from the date of declaration become forfeit to the Fund.

(k) Transfers of Participating Shares are permitted.

(l) The proceeds of the issue will be applied (in part) in the acquisition of securities as detailed in the section headed "Investment Policy".

(m) No person has any preferential right to subscribe for any authorised but unissued capital of the Fund.

(n) The Manager beneficially owns 100 Management Shares in the Fund and, in consequence, at the date hereof Yamaichi Capital Management (Europe) Limited and the Manager are respectively indirectly and directly entitled to control the Fund. Such control will cease if the initial issue of Participating Shares is made. No person other than the Manager is at the date hereof directly or indirectly interested in more than 5 per cent. of the Fund's capital.

(o) At the date hereof the Fund does not have:—

(i) any loan capital (either outstanding or created but unissued);
(ii) any outstanding mortgages or charges;
(iii) any liability under guarantees or contingent liabilities; or
(iv) any other borrowing or indebtedness in the nature of borrowing (including bank overdrafts).

(p) The documents delivered for registration to the Registrar of Companies with this Prospectus were:—

(i) A copy of each of the material contracts listed at paragraph 12 below; and
(ii) The consent of Peat, Marwick, Mitchell & Co. referred to in paragraph 14 below.

(q) The Fund will be responsible for:—

(i) the payment of its preliminary expenses and the expenses of this issue, including the preparation, printing and advertisement of this Prospectus and listing fees (the total amount of such expenses being estimated to amount to $360,200, exclusive of Value Added Tax where appropriate); and

(ii) the payment of its operating expenses, including the fees and expenses of the Manager and the Custodian (including charges made by the Custodian's agents and safe custody fees), the fees of the auditors and legal advisers to the Fund, brokerage and stamp duties, the costs of preparing, printing and distributing half-yearly and annual reports and the accounts, the expenses in connection with a continuing prospectus, the costs of making dividend payments (if any) and the directors' fees and expenses.

(r) The preliminary expenses, the expenses of this issue and the initial expenses in connection with a continuing prospectus will be amortised against capital in five equal instalments over the accounting periods ending on 31st October 1987, 1988, 1989, 1990 and 1991.

12. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into and are or may be material:—

(a) The Management Agreement dated 31st October 1986 between the Fund and Yamaichi Capital Management (Guernsey) Limited, the Manager, being the agreement whereby the Manager agrees to act as Manager and registrar.

(b) The Custodian and Secretary Agreement dated 31st October 1986 between the Fund and Midland Bank Trust Corporation (Guernsey) Limited, the Custodian, whereby the Custodian agrees to act as Custodian and secretary.

(c) The Investment Advisory Agreement dated 31st October 1986 between the Manager and Yamaichi International Capital Management Co., Limited, the Investment Adviser, whereby the Investment Adviser agrees to advise the Manager in connection with the Fund's portfolio.

The Management Agreement, the Custodian and Secretary Agreement and the Investment Advisory Agreement are terminable on three months' notice given either by the Fund (or, in the case of the Investment Advisory Agreement, the Manager) to the Manager, the Custodian or the Investment Adviser (as the case may be), or by the Manager, the Custodian or the Investment Adviser (as the case may be) to the Fund (or, in the case of the Investment Advisory Agreement, the Manager). Such agreements may be terminated by notice with immediate effect in the case of certain defaults by or insolvency of the party to whom notice is given. The Articles contain provision for the replacement of the Custodian should the Custodian Agreement be terminated. The agreements also contain provisions for relieving the Manager, the Custodian or the Investment Adviser (as the case may be) from liability to the Fund or the holders of Participating Shares except in a case where the Manager, the Custodian or the Investment Adviser has acted in bad faith, or has been guilty of gross negligence or wilful default.

13. CUSTODIAN'S FEE

The Custodian is entitled to receive a fee from the Fund at the rates set out below based on the net asset values (calculated as for the purposes of the issue price) of the Fund:—

Portion of Net Asset Value ($)	*Annual Equivalent Per cent.*
First 20,000,000	$\frac{1}{8}$
Next 20,000,000	$\frac{1}{10}$
Above 40,000,000	$\frac{3}{40}$

The fee is subject to an annual minimum of $30,000. The Custodian is also entitled to be reimbursed by the Fund certain out of pocket expenses. The fee is calculated on each business day and the fee accrued for each calendar month is payable on the first business day in the next calendar month.

14. CONSENT

Peat, Marwick, Mitchell & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of the references to them and of their report in the form and context in which they are respectively included.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays and local public holidays excepted) at the registered office of the Fund, 22 Smith Street, St. Peter Port, Guernsey, Channel Islands and at the offices of Yamaichi International (Europe) Limited, Finsbury Court, 111-117 Finsbury Pavement, London EC2A 1EQ:—

1. The Memorandum and Articles of Association of the Fund;
2. The material contracts referred to in paragraph 12 above;
3. The report of Peat, Marwick Mitchell & Co. set out at paragraph 10 above and their consent (referred to in paragraph 14 above); and
4. A compilation of the Companies (Guernsey) Laws 1908-1973.

DATED

4th November 1986

APPLICATION PROCEDURE

Applications must be made on the form attached to this Prospectus and sent to Yamaichi Capital Management (Guernsey) Limited to be received not later than 10.00 a.m. Guernsey time on 20th November 1986 accompanied by a remittance* for the appropriate amount. Share certificates will be sent to successful applicants on or before 28th November 1986. The Fund may decline any application in whole or in part at its discretion. No temporary documents of title will be issued.

The minimum initial investment is $5,000 (500 shares).

(a) Acceptance of applications will be conditional upon the participating redeemable preference shares ("Shares") of Japan Meta Growth Fund Limited ("the Fund") now being issued, being admitted to the Official List of The Stock Exchange not later than 12th December 1986. It is expected that the Shares will be admitted to the Official List on or before 1st December 1986. Remittances for amounts payable on application may be presented for payment before that date and, if so, the application moneys will be kept in one or more separate bank accounts and, if admission is not granted, or for any other reason the Shares for which application is made are not allotted in full, such application moneys (or the part thereof not applied in subscription of Shares, as the case may be) will be returned (without interest) by cheque in favour of the applicant(s) through the post at the risk of the applicant(s).

(b) By completing and delivering an Application Form, you (as the applicant(s)):—

(i) offer to subscribe for the number of Shares specified in your Application Form (or such smaller number for which the application is accepted) on and subject to these terms and conditions and subject to the Memorandum and Articles of Association of the Fund;

(ii) authorise Yamaichi Capital Management (Guernsey) Limited to send a certificate for the number of Shares for which your application is accepted, and/or a cheque for any money returnable by post, at the risk of the person(s) entitled thereto, to the address of the agent (if any) whose stamp appears on the form or (if no stamp appears thereon), to your address (or that of the first-named applicant) as set out in the Application Form and to procure that your name (together with the name(s) of any other joint applicant(s)) is/are placed on the Register of Members of the Fund in respect of such Shares;

(iii) agree that, in consideration of the Fund's agreeing to consider applications upon the terms and subject to the conditions set out in the listing particulars relating to the Fund dated 4th November 1986 ("the Prospectus"), your application may not be revoked until after 12th December 1986 and that this paragraph shall constitute a collateral contract between you and the Fund which will become binding upon despatch by post to or, as the case may be, receipt by, Yamaichi Capital Management (Guernsey) Limited of your application;

(iv) agree that completion and delivery of the Application Form shall constitute a warranty that your remittance will be honoured on first presentation and further agree that any share certificate and any moneys returnable to you may be retained by Midland Bank plc pending clearance (where applicable) of your remittance;

(v) agree that all applications, acceptances of applications and contracts resulting therefrom under this offer for subscription shall be governed by and construed in accordance with the law of Guernsey;

(vi) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so and that you and the person on whose behalf you sign are of full age and capacity under Guernsey law;

(vii) agree that you shall not be entitled at any time after acceptance of your application to exercise any remedy of rescission for innocent misrepresentation; and

(viii) confirm that in making such application you are not relying on any information or representation in relation to the Fund other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof shall have any liability for any such other information or representations.

(c) Acceptance of applications will be effected by announcement of the basis of allocation to The Stock Exchange.

(d) If the Form is signed under Power of Attorney, a copy of the Power must accompany the Form.

No person receiving a copy of the Prospectus, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Form could lawfully be used without contravention of any registration or other legal requirements. Any person outside the United Kingdom wishing to make an application hereunder must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other requisite formalities, and paying any issue, transfer or other taxes due in such territory.

IMPORTANT

***In the case of applications for more than 10,000 Shares, remittance must be made by telegraphic transfer.**

Cheques and bankers' drafts must be made payable to Japan Meta Growth Fund Limited and sent to the Manager, Yamaichi Capital Management (Guernsey) Limited, 22 Smith Street, St. Peter Port, Guernsey, Channel Islands to arrive no later than 10.00 a.m. Guernsey time on 20th November 1986. Cheques and bankers' drafts should be drawn in U.S. dollars on a New York bank. Telegraphic transfers must be sent to European American Banking Corporation, 10 Hanover Square, New York, N.Y. 10015 U.S.A. Account Midland Bank Trust Corporation (Guernsey) Limited, Re: Japan Meta Growth Fund Limited Account No. M12 118 729 1 and be made for value 20th November 1986.

Yamaichi International (Europe) Limited is prepared to assist applicants by providing them with sterling/dollar exchange facilities to enable them to provide application monies in dollars. If you require such facilities, or wish to know the applicable rates of exchange, please telephone Mr. Vinod B. Tailor (Tel. no. 01-638-5599 Ext. 2411).

No preliminary charge is included in the amount payable for shares issued under the offer for subscription and no amounts will be paid by the Fund or the Manager to agents.

APPLICATION FORM

Applications should be sent to Yamaichi Capital Management (Guernsey) Limited, 22 Smith Street, St. Peter Port, Guernsey, C.I., to arrive not later than 10 a.m. Guernsey time on 20th November 1986.

JAPAN META GROWTH FUND LIMITED

Issue of up to 4,000,000 Participating Redeemable Preference Shares of U.S. $0.01 each ("Shares") at U.S. $10 each payable in full on application

To: Japan Meta Growth Fund Limited ("the Company")

I/We wish to subscribe for Shares to the value of $ ______ (minimum $5,000) at the initial issue price of $10 per Share and enclose a remittance made payable to Japan Meta Growth Fund Limited or have instructed my/our Bankers to credit European American Banking Corporation, 10 Hanover Square, New York, N.Y. 10015, U.S.A. Account Midland Bank Trust Corporation (Guernsey) Limited, Re: Japan Meta Growth Fund Limited Account No. M12 118 729 1 with the amount subscribed.

I/We agree to accept the same or any smaller number of shares in respect of which this application may be accepted upon the terms of the prospectus dated 4th November 1986 and the Memorandum and Articles of Association of the Company.

I/We declare that I am/we are not and do not intend to be resident in the Bailiwick of Guernsey, Alderney or Herm for the purpose of liability to Guernsey income tax and that I am/we are not acquiring the Shares as nominee(s) or trustee(s) of any person(s) so resident and I/we undertake to inform the Company of any change in my/our status in this respect.

Applications for 10,000 shares or less:

* ☐ A remittance for the amount subscribed accompanies this form
(Cheques and bankers' drafts should be drawn in U.S. dollars on a New York bank)

Applications for more than 10,000 shares:

* ☐ I/We have instructed my/our bank

______ Name ______ Branch

(insert name of bank) (insert name of branch)

to credit:
European American Banking Corporation, 10 Hanover Square,
New York, N.Y. 10015, U.S.A.
Account Midland Bank Trust Corporation (Guernsey) Limited,
Re: Japan Meta Growth Fund Limited Account No. M12 118 729 1
with the amount subscribed for value 20th November 1986

The payment must identify the name of the applicant(s).

***PLEASE TICK APPROPRIATE BOX AND SUPPLY NAME AND DETAILS OF YOUR BANK.**

1. Signature ...... Surname (Mr/Mrs/Miss) ...... Full Forenames ...... Address	2. Signature ...... Surname (Mr/Mrs/Miss) ...... Full Forenames ...... Address ......
3. Signature ...... Surname (Mr/Mrs/Miss) ...... Full Forenames ...... Address	4. Signature ...... Surname (Mr/Mrs/Miss) ...... Full Forenames ...... Address ......

Date: ______

No preliminary charge is included in the amount payable under the offer for subscription and no amounts will be paid by the Company or the Manager to agents.

In the case of joint applicants, all must sign. A corporation must execute under its Common Seal or under the hand of a duly authorised officer whose capacity should be stated. Applications from persons under 18 cannot be accepted.

Agent's Stamp


OUR NEW DESKPRO 386 RUNS ALL IBM'S MOST POPULAR PROGRAMS.

WE SHARE THE INDUSTRY STANDARD.

'The industry standard' is a ghastly little bit of jargon, we admit.

But since it is crucial to the choosing of a new computer, we thought we had better explain what it means.

(If you already know, please >GOTO the section headed 'pies and napkins.')

THE COMING OF THE STANDARD

Apple (give them their due) launched the first personal computer back in 1977.

It was four years before IBM responded with their honest, if rather bovine, PC.

Of course, the IBM machine would not run Apple programs, and vice versa.

War broke out, with the customer caught in the middle.

Soon, vast numbers of programs had been written for the IBM PC, covering everything from accountancy to zoo husbandry.

Other manufacturers, seeing which way the wind was blowing, rushed to bring out machines 'compatible' with IBM's. Computers that, in other words, could run IBM programs.

Thus, as with VHS in video, an 'industry standard' quickly became established.

Today, anything outside it is frankly out on a limb.

PIES AND NAPKINS

Unfortunately the 'compatibles', like the IBM computers they aped, were not (oh dear, how can we put this?) very remarkable machines.

They ruminated over programs like cows chewing cud.

Then one day in 1981, a group of computer experts met for lunch at a pie shop in Houston, Texas.

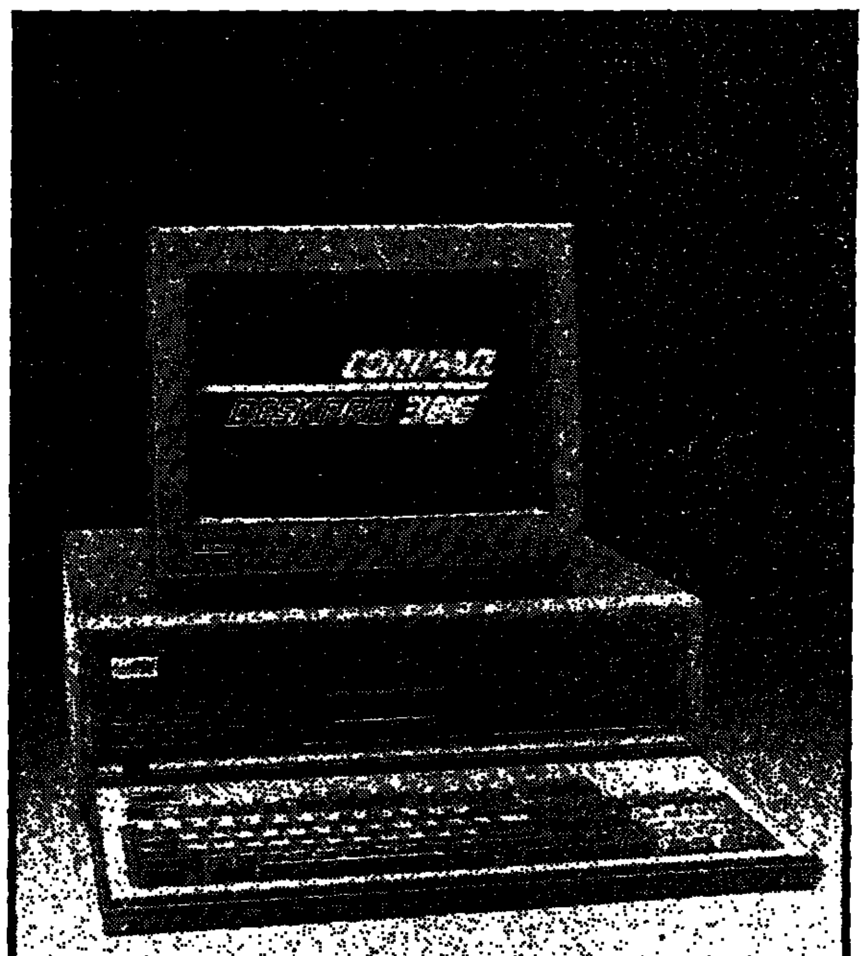
Over their coffee and pie, the talk turned to the excruciating dullness of personal computers.

What was needed, they agreed, was a 'compatible' computer that went far beyond what anyone had dreamed of offering.

Being engineers, and therefore uncouth, the tablecloth was soon covered in circuit diagrams.

Luckily, by the time the bill arrived, the design for a new computer was safely sketched on a place mat.

'It's a great idea,' said one of them, 'but who'll build it?' After a short silence, COMPAQ Computer was born.


OF COURSE, IT RUNS THEM 2 TO 3 TIMES FASTER THAN IBM CAN.

THE INDUSTRY DOESN'T SHARE OURS.

THE BEST, NOT SWANKING

The first COMPAQ PC was a portable that offered the same power (power = working memory) as machines twice its size. It sold out.

We followed it with a series of desktop and portable computers, each of which met with rapturous acclaim. (This is not your usual addy bragging. It is all true, as you can easily check by talking to any computer expert, or reading the trade press.)

Our computers were faster and more powerful than the machines they were targetted against.

They had features no-one else had thought of, like safety back-up systems and monitors that worked equally well with text and graphics.

Softwarewise (very Houston, that) they ran all IBM's most popular programs, plus programs written specially for us.

Such was the demand for them that we now hold the record for the fastest ever entry into the Fortune 500.

THE COMPAQ DESKPRO 386.

The object of this advertisement is not simply to verse you in the lore and legend of COMPAQ Computer.

We want to sell you something. To wit, the most powerful personal computer ever built.

It is based on Intel's astonishing new 386 microprocessor, and called the COMPAQ DESKPRO 386.

Our new machine has 6,250 times more working memory than today's average personal computer.

It runs current 'industry standard' programs 2 to 3 times faster than most other machines on the market.

For networking, multi-tasking and multi-user systems, there is nothing to touch it. That's just for starters.

Soon, as more and more software is written for the 386 chip, it will be able to do things previously considered to be impossible for a personal computer.

Things like computer aided design, and running 'expert systems' (artificial intelligence, no less).

Best of all - oh shucks, we've run out of space. Ah well, you'll just have to continue this discussion with your nearest COMPAQ dealer.

COMPAQ
DESKPRO 386

WE'LL NEVER CEASE TO AMAZE YOU.

FREEPOST COMPAQ, FREEPOST (BS 333), BRISTOL BS1 4YP. TELEPHONE: 0800 444 123 COMPAQ® IS A REGISTERED TRADEMARK AND COMPAQ DESKPRO 386™ IS A TRADEMARK OF COMPAQ COMPUTERS LTD. IBM® IS A REGISTERED TRADEMARK OF INTERNATIONAL BUSINESS MACHINES.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
¶170	F.P.	28/11	207	186	BakerHarrisSaund's10p	207	......	R4.0	2.7	2.7	19.3
§38	F.P.	28/11	42	39	‡B.C.E. Hldgs 5p	40	......	Rd1.0	3.0	3.5	13.3
§115	F.P.	14/11	122	120	‡Berry, Birch 10p	121	......	R2.5	2.2	4.9	13.0
§95	F.P.	21/11	145	117	‡Blenheim Exhibits. 5p	126	−4	u2.1	3.2	2.4	17.2
§100	F.P	21/11	109	100	‡Citygrove 10p	101	−1	R2.5	2.7	3.5	14.7
§105	F.P.	16/10	112	100	‡Eve Construction	110	+4	a4.5	3.2	5.8	7.7
§135	F.P.	24/10	166	145	‡Great Southern 10p	164	+1	R5.2	2.2	4.5	14.0
—	F.P.	—	28	27	Group Development	28	......	—	—	—	—
185	F.P.	7/11	208	188	‡Interlink Express 5p	207	+2	R3.5	3.2	2.4	18.8
§135	F.P.	24/10	255	145	‡Local London Group 5p	255	......	W5.0	1.8	2.8	28.7
110	F.P.	5/11	141	119	Marlbor'gh Tech Man 5p	134	−1	R2.70	3.1	2.8	13.5
135	F.P.	20/11	154	143	Mecca Leisure 10p	152	−2	R4.1	2.2	3.8	16.6
§105	F.P.	24/10	174	133	‡Miller & Santhouse 5p	174	+2	u2.25	2.4	1.8	32.5
—	F.P.	—	35	27	New Australia Inv Wrrts	35	......	—	—	—	—
§175	F.P.	24/10	79	72	‡Newage Trans 5p	72	......	R3.5	2.5	6.9	8.2
§90	F.P.	24/10	93	88	‡Radamec Group 5p	92	−1	R1.28	5.7	2.0	12.7
§95	F.P.	21/11	97	89	‡Rotunda 10p	89	......	R30.3	2.8	4.7	10.7
¶110	F.P.	24/10	108	101	‡Ryman 5p	102	......	L1.5	3.2	2.1	17.1
100	50	14/11	102	80	TSB	81	−1	W4.26	3.1	4.6	10.0
—	F.P.	—	52	52	Trinova $5	52	......	1.5c	—	2.0	—
§160	F.P.	5/12	179	163	‡Whitney Mackay 10p	165	......	R4.0	3.0	3.4	13.6
104	F.P.	5/12	85	80	‡Wooltons Bet'ware 10p	85	......	dR3.7	1.5	6.1	15.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	17/12	170ppm	140ppm	Bristol Oil & Min 3% Cnv 2nd Mt Deb 1989	170ppm	+20
§100	£10	8/1	12½	10½	East Worce. Water 12½% Red Deb 94-96	12	+1½
§100	£10	29/1	10¼	8¾	Essex Water 11¼% Red. Deb. 2002-04	9½	+¾
¶101.41	£10	26/2	11¼	8	do 8⅝% Red. Pf 1993	10	+2
§100	F.P.	—	107p	106p	Fed. Housing 9½% Cum. Red. Prf	107p	+1
‖	Nil	16/12	9ppm	1ppm	Hartons 7% Cnv. Cum. Red. Prf	1ppm	−½
§100	£10	15/5	9½	2	Mid-Sussex Water11% Red Deb2012-16	3½	+½
—	F.P.	—	100¼	100	Nationwide11¼% 26/1/87	100¼	......
¶101.87	£10	22/1	11¾	9	Portsmouth Wtr. 8¾% Red. Pf 1996	9	−½
96.645	£25	8/1	24¼	17	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	19½	+½
¶102.25	£10	8/1	11¾	9	Tendring Hundred Wtr 8¾% Rd. Pf 1996	9	−½

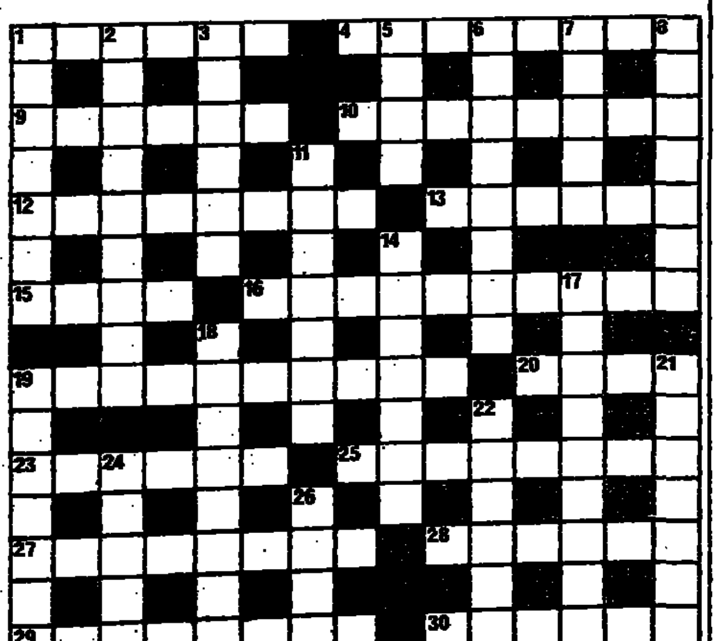
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
137	Nil	19/12	18pm	7pm	Bellway	7pm	−1
330	Nil	16/12	67pm	46pm	Blue Arrow	67pm	+7
86	Nil	12/12	6pm	6pm	Brown Boveri	6pm	......
90	Nil	12/12	21pm	7pm	Bryant Hldgs.	17pm	−4
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
12	Nil	—	1¼pm	1¼pm	Elswick 5p	1¼pm	......
285	Nil	15pm	15pm	3pm	FR Group	7pm	......
30	Nil	25/11	9pm	1pm	Norfolk Cap 5p.	1½pm	......
160	Nil	10/12	58pm	32pm	Parrish (J.T.) 5p	58pm	......
40	Nil	—	16pm	16pm	Petrocon 12½p	16pm	......
100	Nil	—	50pm	10pm	Ratcliffe (F.S.) Inds.	10pm	−5
350	Nil	—	44pm	37pm	Redland	44pm	......
720	Nil	9/1	16pm	2pm	Siebe	2pm	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▌▌ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE NO. 6,169

DANTE

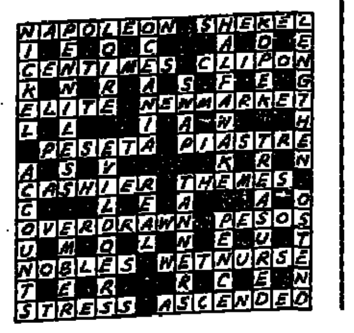


ACROSS

1 Air pressure (6)
4 Went dead (8)
9 Grass doing well? (6)
10 I can ship out from Spain (8)
12 Shared in a perfect round of golf (8)
13 Rigid habit of the medieval ages (6)
15 Fled before the start of the storm
16 Man of the match (10)
19 Blunders and gives short change (10)
20 A unit in the Salvation Army covers a large area of ground (4)
23 Necessitate a note before Latin revision (6)
25 Indifference to Noel's predicament in a Greek island (8)
27 Value a quiet exression of approval (8)
28 Number of towns in South Africa (6)
29 Jack Sprat's catch? (8)
30 Know a boy back in Cumbria (6)

DOWN

1 Not a sure footed mule (7)
2 An allusion to one's character and ability, perhaps (9)
3 A way to approach that is not welcomed? (6)
5 Time to come up for discharge (4)
6 The strength of the current? (8)
7 Colour an leave the dance (5)
8 Unusually rum code of behaviour (7)
11 To look one's years requires nobility (7)
14 No one has time to set up the paper (7)
17 Native reserve? (6-3)
18 Judge taking tea break after Times puzzle (8)
19 Sort of bowler where one expects a furled umbrella (7)
21 L London club magazine (7)
22 Reason to include number in a proviso (6)
24 It is talked about among potato pickers (5)
26 Off shore spot I stole away to (4)



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dis Gilt Fd	48.2	49.3		—
U.S. Govmt Bond Fd	80 515	0.518		

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	49.5	52.6	+0.2	7.60
Growth Trust	53.3	56.8	+0.2	2.17
Income Trust	54.9	58.5	+0.2	6.94

Wright Seligman Fund Managers Ltd
12 Bloomfield St, London EC2M 7AY 01-588 0592

Growth Fund	71.8	74.8	+1.8	2.80

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	131.6	140.0	+0.3	3.06

AUTHORISED UNIT TRUST & INSURANCES

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Oct 8		102.8		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	199.9	210.5	+0.2	—
Equity Ser. 1	102.9	108.4	-0.5	—
Prop. Acc. Ser 2	279.1	293.8	+0.3	—
Equity Ser 2	111.8	117.7	-0.6	—
Selective Acc.	237.0	249.5	-0.5	—
Prop. Ser 4	220.9	232.6	+0.2	—
Equity Ser. 4	114.3	120.4	-0.5	—
Fixed Int. Ser. 4	175.2	184.4	+0.2	—
Indexed Int Ser. 4	108.9	114.6	+0.2	—
American Ser. 4	262.8	276.7	+0.9	—
High Inc. Ser 4	286.3	301.4	-1.3	—
Japan Ser 4	224.2	236.0	-0.8	—
Man. Ser. 4	348.6	367.0	+0.3	—
Money Ser 4	197.3	207.7	+0.2	—
European Ser 4	122.6	129.1	+1.2	—
Pension Funds				
Property	358.5	377.4	+0.5	—
Equity	764.0	804.3	-4.6	—
Selective	250.8	264.0	-0.5	—
Managed	615.5	647.9	+0.5	—
Security	343.1	361.2	+0.6	—
Fixed Int.	189.8	199.8	+0.1	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2NU Tel. 0908 690888

Current Series				
Property Fund	118.0	124.3		—
Money Fund	225.0	236.9		—
Managed Fund	403.5	424.8	-0.4	—
Equity Fund	253.6	267.0	+0.4	—
Fixed Interest Fund	140.3	147.7	+1.7	—
Far East Fund	204.5	215.3	-2.9	—
North American Fund	176.9	186.3	-0.6	—
Natural Resources Fund	144.2	151.8	-1.6	—
Pension Managed Fund	379.4	399.4	+2.7	—
Pension Equity Fund	251.5	264.8	+0.5	—
Adventurous Mngd Fd	123.2	129.7	+0.7	—
Balanced Mngd Fd	121.0	127.4	+1.0	—
Conservative Mngd Fd	114.7	120.8	+1.0	—
European Fund	107.8	119.5	-0.4	—
International Fund	117.2	123.4		—
S.U.M. Flagship Fd	126.1	132.8	+0.5	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	133.6	140.7	-0.2	—
Equity	150.4	158.4	-0.6	—
Property	110.5	116.4		—
Gilt & Fixed Interest	107.9	113.6	-0.1	—
Indexed Securities	97.5	102.7	-0.4	—
Cash	108.3	114.0		—
North American	113.4	119.4	-0.4	—
Far East	124.5	131.1	+0.2	—
International	127.4	134.2	-0.2	—
Special Situations	144.8	152.5		—
International Income	143.3	150.9	-0.7	—
American Income	123.7	130.3	-0.5	—
European	149.8	157.7	+0.3	—
Flexible Retirement Plan				
Mixed	137.1	144.4	-0.2	—
Equity	144.5	152.2	-0.5	—
Property	115.6	121.7	+0.1	—
Gilt & Fixed Interest	114.0	120.1	+0.1	—
Indexed Linked	99.0	104.3	-0.3	—
Cash	116.5	122.7		—
North American	120.2	126.6	-0.4	—
Far East	137.9	145.2	+0.5	—
International	134.9	142.0	-0.1	—
Special Situations	163.0	171.6	-0.2	—
European	172.8	181.9	+0.4	—
Executive Investment Pension Plan				

Prices on October 29. Unit dealings on Wednesday.

Cash Fd.	140.5	148.0		—
Mixed Fd.	186.9	196.8		—
Fixed Int. Fd.	140.3	147.7		—

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $18.26

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $16.54
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $16.22
Dynamic Gwth Fd $18.10

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $12.03 12.71

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.00	7.47	10.95	3-mth
CAFCASH 7-day Fund	10.10	7.55	11.07	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.35 (10.76CAR)			3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.40	7.77	11.37	6mth
7-day Fnd	10.20	7.62	11.15	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.09	7.54	10.82	6-Mth
7-day Fund	9.81	7.33	10.51	6-Mth
Dollar	4.75	3.55	5.07	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	10.25	7.50	10.66	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.66	11.10	Qtr
MnIntChq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.22	12.03	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.50	7.85	11.46	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.66	Qtr

NOTES

... Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	110
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brit. Oil & Min	3½
Hanson Tst	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	28	Tricentrol	8
Lex Service	32	Ultramar	27
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

EEC beef reform bogged down

BY TIM DICKSON IN BRUSSELS

TEN MINTHS after first being proposed, radical plans to reform the EEC's system of guaranteed beef prices and subsidy payments are bogged down in a mire of political stubbornness and technical disagreements.

A recent series of meetings between member state representatives has failed to make any significant progress on an issue seen by many in Brussels as an increasingly urgent priority.

Changes to the beef regime are important not only to the European Commission, which wants to cut the huge cost of Community financial support and redirect aid so as to ease the difficulties of smaller farmers. Finding a solution to the beef problem is also a major ambition for Britain, and more particularly its Farm Minister, Mr Michael Jopling, who in the absence of a big last minute push, looks like ending his six-month spell chairing the EEC Farm Council without a single significant achievement in the area of agricultural reform.

Agreement is inevitably being frustrated by member states with large numbers of beef farmers but some argue that the tactical unwillingness of the Commission to modify its tough original proposals is another factor. The discussions have also been complicated by those who argue that there is not a serious long term problem of beef overproduction in the Community.

the last three years have been marked by persistent surpluses, stagnating consumption, depressed market prices and a steady build up of accumulated intervention stocks. At Ecu 450 per tonne per year the storage costs of beef are higher than for any other agricultural commodity; rather like a car which has just left the showroom. Meat instantly loses a significant percentage of its value simply by virtue of being frozen and locked away in a Community store.

Only a couple of sizeable and heavily subsidised sales to Brazil have kept Community stocks — currently 500,000 to 600,000 tonnes compared with more than 800,000 at the beginning of the year — reasonably in check.

Concern at the cost of this policy prompted the tabling in December last year of Commission proposals aimed at restoring the balance between supply and demand, enabling beef and veal to compete better with other meats, and providing more effective income support for beef and veal producers. The idea was (and formally still is) to abandon from December 1, 1987, the current system of intervention—except in "exceptional" circumstances—and in the meantime to limit guaranteed purchases to a few categories of animal. To offset the effects of the change on farm incomes, the Commission suggested a direct payment of Ecu 20 for each animal, limited to 50 animals in each farmer's herd.

Farm Ministers' well-developed skills in endlessly talking round a subject have since been stretched to the full. Originally designed to be included in this year's price package, the Commission's ideas were temporarily shelved at the end of the April negotiations and a new deadline for agreement was set for early August.

Experts first started discussing the subject tentatively in July, quickly abandoned the August deadline, and have spent long hours over the last two months poring over the detail of the Commission's and other alternative ideas. The Farm Ministers themselves were given "progress" reports at their informal September meeting in the English Lake District and at their regular monthly session in Luxembourg last month.

The main stumbling block seems to be that, apart from no one is at all enthusiastic about the Commission's plan to cut out intervention purchases altogether. France and Ireland are particularly reluctant as is Copa, the European grouping of farm organisations.

There is broad support for the principle of greater convergence between market prices and the intervention price, with France, for example, favouring the continuation of the present arrangements but at a lower intervention price. Germany, meanwhile, has put forward the idea of national intervention "targets" for each member state which they argue could limit the system's impact and cost.

Many suggestions have been put forward on how to compensate farmers in the brave new "post intervention" world — but failing agreement on how to cut costs such discussions, which take in the future of the variable premium paid in Britain would appear to be of limited relevance.

Many in Brussels say the Commission could break the deadlock by modifying its plans—something it has so far steadfastly refused to do. Commission officials, on the other hand, insist that they have an open mind, that the basic objectives are more important than the means used to achieve them. As time runs out ahead of this month's Farm Council in Brussels they will be under increasing pressure to try a new and almost certainly less ambitious approach.

Underlying the whole debate, meanwhile, is a more fundamental argument over the longer term structure of the European industry. The "optimists" draw comfort from the modest increase in consumption recorded during the last two years of falling prices, maintain that this trend will accelerate as incomes rise, and expect production (currently 7.5m tonnes per year) to fall as combined milk and beef producers cull their herds under the impact of tightening milk quotas. (In the short term, of course, the effect of this will be to increase supplies). The "pessimists" accept that a better balance may be eventually achieved between supply and demand but point out that increases in productivity, notwithstanding the forthcoming hormones ban, will continue to undermine cutbacks elsewhere and that lower feed prices for pig and poultry products will provide new competition for the consumers' disposable income.

A SPECIAL "high level" group of senior agricultural specialists—the equivalent of British Permanent Secretary level—is to meet in Brussels on Wednesday and Thursday of next week. The aim is to try to speed up political progress on the European Commission's radical proposals to cut the costs of supporting EEC beef and dairy farmers and clear the way for some measure of agreement by Ministers at the subsequent Farm Council on November 17 and 18.

Detailed preparatory work for Council meetings is normally carried out by EEC diplomats at weekly meetings in Brussels. The convening of a "high level" group of senior representatives from national capitals—the first of its kind for an agricultural issue this year—is a measure of the concern at the difficulties being encountered in these sessions.

Mr Michael Jopling . . . anxious for a beef solution

London sugar price pulls back from five-month high

BY ANDREW GOWERS

RAW SUGAR prices moved erratically yesterday on the London futures market, rising in the morning to fresh five-month highs before tumbling in the afternoon as traders were reminded of the sluggish state of world demand and the continuing burden of surplus stocks.

The move left traders and analysts deeply uncertain, following a tentative reassessment of the market's recent gloomy mood.

In the London Commodity Exchange's number 6 fob contract, the March position rose towards $163 a tonne in active morning trading, buoyed by speculative and trade buying, before dropping to about $160 in the late afternoon. This compared with Monday's close of $161.30. The London Daily Price for cif November/December deliveries was quoted yesterday at $153 a tonne, its highest level since August 12.

Prices have recently been on a rising trend. This is due partly to a rash of buying tenders for white sugar by developing countries, but principally to booming demand in Brazil, the world's biggest single sugar exporter, following the Government's anti-inflation measures. This, coupled with expectations that drought will have sharply reduced the crop in the key growing areas in the centre and south of the country, means that Brazil is expected to export less sugar than normal in 1986-87.

One London analyst forecast yesterday that Brazil would have 2m tonnes available for export at most, compared with levels in the past few years of between 2.5m and 3m.

Against that must be weighed the lower level of world demand in 1986-87, chiefly owing to an improvement in the Indian crop and a reduction in Indian imports. India, one of the leading buyers in recent years, is expected to import less than 1m tonnes this calendar year, compared with 1.6m in 1985. Yesterday, it contributed to the fall in prices by rejecting all offers at a buying tender for white sugar.

The precarious state of the market was underlined yesterday by the first estimate for supply and demand in 1986-87 from F. O. Licht, the leading West German analysts. It said that stocks would decline by only 1m tonnes this season, compared with earlier hopes of a 3m tonne reduction.

Licht said the estimate "must come as a disappointment to all those who had hoped for a significant drawdown of stocks and markedly higher prices this year."

However, stocks are now said to be at their lowest level relative to consumption—in a ratio of 35.3 per cent—since 1981-82.

Malaysia to start palm kernel trading

By Wong Sulong in Kuala Lumpur

THE KUALA Lumpur Commodities Exchange (KLCE) has announced that it will begin trading a palm kernel futures contract on December 1. The exchange already trades crude palm oil and two grades of rubber (RSS No. 1 and SMR 20).

A KLCE statement issued at the weekend said the new contract would be traded in lots of 25 tonnes of kernels from any source for delivery to any approved warehouse in Butterworth, Prai, Port Klang or Pasir Gudang. The price will be quoted in ringgit per tonne and the contract months will be the current month followed by five successive months and then alternate months up to one year.

The KLCE has plans to introduce palm kernel oil and refined palm oil contracts in the near future. Other contracts for tin, cocoa and timber are also being planned.

The recent recovery of palm oil price has lofted spirits on the exchange, which has just entered its second year of operations following its October, 1985, relaunch.

Prices for crude palm oil have staged a dramatic turnaround from a historic low of 430 ringgit (£116) a tonne in March to breach the 800 ringgit mark at the end of last month, before settling back to 780 ringgit.

There has been active trading on the KLCE with strong buying interest from India and Pakistan. October turnover was 8,618 lots of 25 tonnes, the highest since the relaunch, up from 2,642 lots in September. But that was still half the level being traded before the default crisis of March 1984, which forced the suspension of palm oil trading.

Analyst sees 'worse to come' for mining sector

THE WORST of the depression which has hit the mining industry may not yet be over, particularly for medium and high cost producers, according to a leading London metals analyst, writes Stefan Wagstyl.

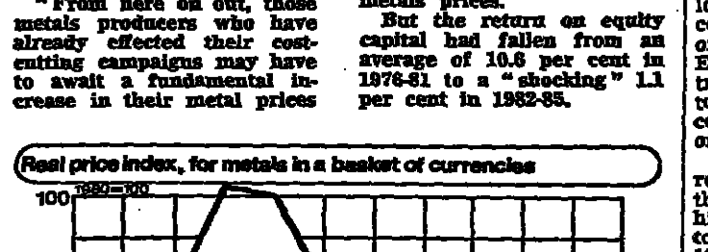
Mr Simon Hobson, a director of Metals and Minerals Research Services (MMRS), told a meeting of investment fund managers last week that metals producers had made extremely impressive progress towards cutting costs. But there was little scope to improve efficiency further in many companies.

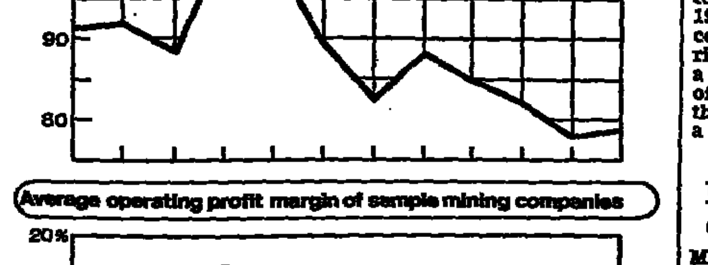
"From here on out, those metals producers who have already effected their cost-cutting campaigns may have to await a fundamental increase in their metal prices before adequate financial returns are seen. And here the prospects are not particularly good," said Mr Hobson.

Mr Hobson expected minor price improvements in 1987. But in virtually every metals sector there was massive excess mine capacity and some excess treatment capacity.

Referring to an analysis of the financial performance of several hundred mining companies which MMRS is carrying out, Mr Hobson said producers had achieved noticeable improvements in operating margins despite the continuing decline in metals prices.

But the return on equity capital had fallen from an average of 10.6 per cent in 1976-81 to a "shocking" 1.1 per cent in 1982-85.





Australia faces bleak cereals outlook

By Chris Sherwell in Sydney

AUSTRALIA FACES a bleak outlook for its cereal exports because of depressed prices, low demand and intense subsidy competition, according to the latest quarterly forecast by the Government's Bureau of Agricultural Economics in Canberra.

The report, which underlines how lower commodity prices and increased competition have offset the beneficial effects of Australia's dollar depreciation, forecasts an overall decline of 8 per cent in the value of all farm exports for 1986-87, from last year's record A$11.6bn to A$10.7bn (£4.56bn). A similar decline is foreseen in volume terms.

It says the brightest prospects are for the wool industry, which is expected to regain its pre-eminent role in Australian agriculture this year. Production will rise 3 per cent to 846,000 tonnes, the highest level in 15 years, and will have a value estimated at A$2.83bn, representing 18 per cent of the value of total Australian rural output.

By contrast, the report says Australia's wheat and barley exporters are suffering from chronic surpluses in principal exporting countries and from import demand which remains weak despite lower prices and increased offerings of subsidised products.

The report complains that much of the subsidised competition between the US and the European Community is directed at cereals markets important to Australia, particularly the Soviet Union, Egypt and Saudi Arabia. Recent prices have been half those of three years ago, when the levels were already relatively low, the report says.

Total Australian cereal production is estimated to be 24.1m tonnes in 1986-87, 3 per cent lower than last year but 25 per cent down on the record harvest of 32.1m tonnes in 1983-84. Exports are projected to contract by 18 per cent to 18.3m tonnes in 1986-87, but by 32 per cent in value to A$2.7bn because of falling prices.

As for the cost outlook, the report is equally gloomy. With the inflation level still relatively high, input costs are predicted to increase by 6 per cent in 1986-87. The index of prices received is meanwhile expected to rise by 4 per cent. That means a 3 per cent fall in the index of farmers' terms of trade—the seventh annual decline in a row.

Hazardous products data source set up

MR MICHAEL HOWARD, Minister for Corporate and Consumer Affairs, yesterday announced the setting up of a computer-based information system on hazardous products.

The Hazardous Products Database is being set up with the co-operation of the enforcement authorities and will complement the existing Home Accident Surveillance System (HASS).

LONDON MARKETS

THE CASH zinc price on the London Metal Exchange dipped below £600 a tonne for the first time in seven weeks yesterday as the market continued to react to the weekend settlement of the five-month strike at Noranda's Valleyfield smelter in Quebec. Cash metal closed £9 down at £595.50 a tonne, taking the fall on the week so far to £35, and the three month's price ended £8 lower at £583.50 a tonne after downward pressure had eroded support around the £590 level. Dealers said the return to work at Valleyfield would alleviate tightness in the North American market, removing one of the major bull factors which had helped to lift the cash price to a 16-month high last week. The lead market was also under pressure with cash metal closing £8 down at £319.50 a tonne. But a steadier New York market and bullish chart signals helped to lift cash Grade A copper by £4.50 to £924.50 a tonne. January coffee futures continued the recent uptrend with a £26 rise to £2,349 a tonne as dealers responded to a report that Brazil was likely soon to start shipping supplies bought in London to compensate for its own crop shortfall. But reports of good recent flowering in Brazilian growing areas dampened sentiment in the afternoon.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Nov. 3	Oct. 31	M'th ago	Year ago
1601.1	1599.6	1565.0	1737.3

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 3	Oct 31	M'th ago	Year ago
Spot	120.69	120.67	—	119.28
Fut	121.42	120.25	—	121.49

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 4 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1210/250	......	$1235/275
Copper			
Cash Grade A	£924.5	+4.5	£924.5
3 mths	£947.25	+3.5	£946.5
Gold Troy oz	$408.5	+2.75	$437.5
Lead Cash	£319.5	—8	£281.5
3 mths	£314.5	—5	£284.5
Nickel			
Free Mkt	164/184c	......	167/187c
Palladium oz	$130.00	+0.25	$141.00
Platinum oz	$567.00	—5.25	$595.50
Quicksilver†	$165/180	+2.5	$140/150
Silver troy oz	405.40p	+7.75	398.35p
3 mths	416.40p	+8.05	408.80p
Tin			
free mkt	£4310/350	—40	£3820/40
Tungsten	$46.98	—4.27	$50.08
Wolfram 22.0lb	$32/42	......	$34/44
Zinc	£596.5	—9	£627
3 mths	£583.5	—8	£617.25
producers	$930	......	$920
OILS			
Coconut (Phil)	$410z	......	$390
Palm Malayan	$330v	......	$250
Copra (Phil)	$260y	......	$185
Soyabean (U.S.)	$165	—5	$149
GRAINS			
Barley Fut. Jan.	£113.60	......	£110.25
Maize	£143.00	......	£146.50
Wheat Fut. Jan.	£111.60	—0.40	£109.00
No. 3 Hard Wint.	:	......	:
OTHERS			
Cocoa Ft. Mar.	£1513.5	—5	£1545
Coffee Ft. Jan.	£2349	+26	£2352.5
Cotton A Ind.*	51.05c	+0.10	50.85c
Gas Oil Dec.	$126	+2	$128
Rubber (kilo)	67p	—0.5	66p
Sugar (raw)	$153y	+8	$125.5
Wooltops 64s	418p kilo	......	408p kilo

† Unquoted. † Per 76 lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

MEAT

COFFEE

Prices rose further during the morning as concern continued over the January position, reports Drexel Burnham Lambert. A disappointing performance on the New York market encouraged some profit-taking and with physical demand for robustas again thin the market ended on the defensive.

COCOA

Although futures were a little more active prices were still restricted to a narrow range and closing values were slightly lower. Physical interest was minimal and both producers and consumers failed to trade, only thin second-hand business for near positions being noted, reports Gill and Duffus.

POTATOES

After an initial fall in the April value to £184.60, the market firmed towards the £186 level but volumes were very thin due to lack of interest. Physical prices remained firm resulting in a stronger November position and the April position firmed with fresh buying interest above £186 towards the close, reports Coley and Harper.

GRAINS

RUBBER

PHYSICALS—The London market opened slightly easier, found little trading throughout the day and closed quiet, reports Lewis and Peat.

SUGAR

Prices rallied and the market made new highs for the move but after India failed to buy profit-taking eased levels, reports C. Czarnikow.

FREIGHT FUTURES

SOYABEAN MEAL

Prices held around unchanged levels in thin volume during a quiet session, reports Muirpace.

US MARKETS

PRECIOUS METALS closed higher as traders squared their books before the results of the Congressional elections, reports Heinold. Many participants feared revived inflation if the Democrats gained control of the Senate. In addition the weakness of the US dollar provided support. Sugar futures moved lower but prices firmed as they approached the 7.10c level, basis March, which had been a strong resistance level before Monday's upside breakthrough. Selling pressure tapered off as prices in the active March position neared a session low of 7.09c. Speculators were motivated to sell after India again was offered three times as much sugar as traders expected it to purchase at yesterday's tender. Expectations were for India to purchase as many as seven cargoes but offers of 25 to 28 cargoes were forthcoming.

NEW YORK

CHICAGO

OIL

Crude trading remained thin as traders awaited confirmation of rumours of Saudi Arabian production cuts. Brent prices firmed slightly with December Brent closing around $14.30 and November Brent at $13.70-$13.80. December WTI opened unchanged on Nymex and traded 34c up by 1.30 pm EST.

GAS OIL FUTURES

HEAVY FUEL OIL

LEADED GASOLINE

JUTE

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stays in narrow range

THE DOLLAR weakened slightly in currency markets yesterday but was confined to a narrow range ahead of US mid-term Congressional elections. There was a general reluctance to open fresh positions amid speculation that the Democrats could obtain an overall majority in the US Senate. However the US unit was underpinned by the recent cut in Japanese interest rates and agreement between US and Japanese officials on the need for currency stability.

The dollar traded between DM 2.0610 and DM 2.0500 before closing at DM 2.0575 down from DM 2.0635. Against the yen it was barely moved at Y163.90 from Y163.95 and SFr 1.7150 from SFr 1.7175. Against the French franc it eased to FFr 6.7150 from FFr 6.7375. On Bank of England figures, the dollar's excange rate index fell from 112.8 to 112.5.

STERLING—Trading range against the dollar in 1986 is 1.555 to 1.3700. October average 1.4270. Exchange rate index 68.6 against 68.7 at the opening and Monday's close. The six months ago figure was 76.0

Sterling showed little overall change in rather quiet trading. There was no incentive derived from a quiet dollar while a fall in UK official reserves of $868m, although slightly more than expected, appeared to have little effect. This was mainly because some fall had been expected due to the Bank of England's previous involvement in trying to underpin sterling. The pound closed at $1.4150 from $1.4115, but was unchanged against the D-Mark at DM 2.9125. Elsewhere it finished at Y232.0 from Y231.50, SFr 2.4275 from SFr 2.4250 and FFr 9.5025 compared with FFr 9.51.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. October average 2.0038. Exchange rate index 141.3 against 135.5 six months ago.

Trading was quiet in Frankfurt yesterday as dealers awaited the outcome of the US mid-term Congressional elections. News that October's money supply grew at an annualised rate of 7¾ per cent up from 7½ per cent in September and well above the 3½-5½ per cent target range tended to confirm a majority feeling in the market that the Bundesbank was unlikely to cut its discount rate in the near future. The dollar was fixed at DM 2.0580 down from DM 2.0735 on Monday and there was no intervention by the Bundesbank. The dollar closed at DM 2.0555 from DM 2.0715.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. October average 156.36. Exchange rate index 205.6 against 201.4 six months ago.

The yen was slightly firmer in Tokyo yesterday from its close in New York against the dollar but the latter still showed a rise from Friday's closing level. Tokyo markets were closed on Monday for a holiday. The dollar closed at Y163.60 against Y163.90 in New York and Y161.45 on Friday. There was a general reluctance to take the dollar firmer ahead of US Congressional elections and some took the opportunity to take profits instead.

Comments by Mr *Satoshi Sumita*, Governor of the Bank of Japan, stressing the need for foreign exchange stability to help domestic expansion, contracted with a view that a fall in the yen's value would be the best way to stimulate growth. Last week's cut in the discount rate was seen as unlikely to be followed by a similar move in West Germany. Consequently the D-Mark rose to Y79.48 from Y78.72 on Friday.

£ IN NEW YORK

Nov 4	Latest	Previous Close
£ Spot	1.4135-1.4140	1.4125-1.4135
1 month	0.56-0.59 pm	0.58-0.56 pm
3 months	1.79-1.74 pm	1.75-1.73 pm
12 months	6.35-6.25 pm	6.28-6.18 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Nov. 4	Previous
8.30 am	68.7	69.0
9.00 am	68.6	68.9
10.00 am	68.6	68.8
11.00 am	68.6	68.9
Noon	68.6	68.9
1.00 pm	68.5	68.9
2.00 pm	68.5	68.8
3.00 pm	68.6	68.8
4.00 pm	68.6	68.7

CURRENCY RATES

Nov. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.841999	0.719823
U.S. Dollar	5.5	1.18966	1.01747
Canadian $	8.58	*	1.41398
Austrian Sch.	4	17.2250	14.6974
Belgian Franc	8	50.8518	43.3747
Danish Kroner	7	9.2168	7.85639
Deutsche Mark	3½	2.44483	2.08836
Neth. Guilder	4½	2.76536	2.35911
French Franc	9½	7.9909	6.81705
Italian Lira	12	1691.692	1443.79
Japanese Yen	3	194.57	166.560
Norway Krone	8	8.94505	7.63866
Spanish Peseta	—	164.040	139.851
Swedish Krona	7½	8.35141	7.12941
Swiss Franc	4	2.03963	1.73796
Greek Drach.	20½	166.403	142.353
Irish Punt	—	0.8955	0.765879

* CS/SDR rate for Nov. 3: 1.65027.

CURRENCY MOVEMENTS

November 4	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.6	-24.5
U.S. Dollar	112.5	+4.3
Canadian Dollar	77.5	-12.7
Austrian Schilling	132.3	+9.0
Belgian Franc	96.8	-6.0
Danish Kroner	89.3	+1.8
Deutsche Mark	141.3	+19.0
Swiss Franc	164.6	+19.7
Guilder	129.8	+12.5
French Franc	70.4	-12.7
Lira	47.9	-15.8
Yen	205.6	+52.5

Correction for November 3, Guilder index, 129.6
Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Nov. 4	£	$
Argentina	1.5930-1.5995	1.1270-1.1310
Australia	2.2005-2.2040	1.5565-1.5580
Brazil	19.82-19.93	14.02-14.09
Finland	7.0570-7.0670	4.9940-4.9960
Greece	196.09-199.54	138.63-140.97
Hong Kong	11.0340-11.0445	7.7995-7.8015
Iran	110.10*	78.00*
Kuwait	0.4140-0.4145	0.29280-0.29300
Luxembourg	60.45-60.55	42.70-42.80
Malaysia	3.7075-3.7120	2.6215-2.6235
N. Zealand	2.7970-2.8070	1.9780-1.9840
Saudi Ar.	5.3020-5.3065	3.7495-3.7500
Singapore	3.1035-3.1085	2.1935-2.1955
S. Af. (Cm)	3.1990-3.2225	2.2660-2.2710
S. Af. (Fn)	6.7370-7.0735	4.7620-5.0000
U.A.E.	5.1930-5.1980	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3747	+0.60	+1.11	±1.5368
Danish Krone	7.81701	7.85639	+0.50	+1.01	±1.6403
German D-Mark	2.11083	2.08836	-1.06	-0.55	±1.1127
French Franc	6.87316	6.81705	-0.82	-0.31	±1.3659
Dutch Guilder	2.37833	2.35911	-0.81	-0.30	±1.5059
Irish Punt	0.764976	0.765879	+0.12	+0.63	±1.6683
Italian Lira	1476.95	1443.79	-2.25	-2.02	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4105-1.4155	1.4145-1.4155	0.62-0.59c pm	5.13	1.76-1.71 pm	4.90
Canada	1.9630-1.9690	1.9660-1.9670	0.49-0.39c pm	2.68	1.21-1.06 pm	2.31
Netherlands	3.28-3.29½	3.28½-3.29½	1⅝-1⅜c pm	5.47	4⅝-4⅜ pm	5.47
Belgium	60.31-60.55	60.45-60.55	21-16c pm	3.67	57-48 pm	3.47
Denmark	10.92⅞-10.96½	10.93-10.94	1½-⅛ore pm	1.23	3⅛-2⅝ pm	1.05
Ireland	1.0615-1.0730	1.0660-1.0670	0.18-0.30p dis	-2.70	0.46-0.82 dis	-2.40
W. Germany	2.90½-2.91⅝	2.90⅝-2.91⅝	1⅝-1⅜pf pm	6.18	4⅝-4⅜ pm	6.18
Portugal	212.65-213.80	212.85-213.75	48-110c dis	-4.45	191-340 dis	-4.99
Spain	194.40-195.15	194.65-194.95	25-64 dis	-2.74	43-116 dis	-1.63
Italy	2006¼-2015	2011½-2012½	3—par lire pm	0.89	4-par pm	0.40
Norway	10.61½-10.64¾	10.63¾-10.64¾	3-3½ore dis	-3.74	9½-10¾ dis	-3.71
France	9.48-9.51½	9.49¾-9.50¾	3½-2⅜c pm	3.65	7⅞-7pm	3.13
Sweden	9.91-9.93¾	9.92½-9.93½	2⅞-1⅝ ore pm	0.82	6⅛-5½ pm	2.47
Japan	231½-232¾	231½-232½	1½-1⅛y pm	7.11	3⅝-3½ pm	6.25
Austria	20.42-20.50	20.46-20.49	10⅞-9gro pm	5.64	27⅝-23⅜ pm	4.97
Switzerland	2.42⅛-2.43⅞	2.42⅛-2.43⅛	1⅞-1½c pm	8.03	4⅝-4⅜ pm	7.00

Belgian rate is for convertible francs. Financial franc 60.80-60.90. Six-month forward dollar 3.35-3.30 c pm. 12-month 6.25-6.15 c pm

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Nov. 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4105-1.4155	1.4145-1.4255	0.62-0.59c pm	5.13	1.76-1.71 pm	4.90
Ireland†	1.3230-1.3300	1.3245-1.3255	1.05-0.75c pm	8.15	2.85-2.10 pm	7.47
Canada	1.3893-1.3910	1.3900-1.3910	0.27-0.30c dis	-2.46	0.89-0.94 dis	-2.63
Netherlands	2.3110-2.3280	2.3245-2.3255	0.11-0.09c pm	0.52	0.33-0.30 pm	0.41
Belgium	42.60-42.80	42.70-42.80	4-6 c dis	-1.40	14-18 dis	-1.50
Denmark	7.71½-7.76	7.73½-7.74	1.80-2.30ore dis	-3.18	3.50-7.00 dis	-2.70
W. Germany	2.0500-2.0610	2.0570-2.0580	0.24-0.21pf pm	1.31	0.68-0.63 pm	1.27
Portugal	150¼-151¼	150½-151	100-140c dis	-9.55	325-425 dis	-9.95
Spain	137.42-138.00	137.85-137.95	80-100 dis	-7.83	215-245 dis	-6.67
Italy	1417-1424	1421¾-1422¼	5-6lire dis	-4.64	15½-17 dis	-4.57
Norway	7.49¾-7.52¾	7.51½-7.52	5.60-5.90ore dis	-9.18	16.40-16.70dis	-8.81
France	6.69¾-6.73	6.71¼-6.71¾	0.80-0.90c dis	-1.52	3.00-3.30 dis	-0.94
Sweden	6.69¾-7.03½	7.01½-7.02	1.50-1.65 ore dis	-2.69	4.15-4.45 dis	-2.45
Japan	163.45-164.25	163.85-163.95	0.28-0.23 y pm	1.87	0.59-0.54 pm	1.38
Austria	14.42⅞-14.49½	14.47½-14.48	⅝-¼ gro pm	0.41	1pm-1 dis	—
Switzerland	1.7065-1.7185	1.7145-1.7155	0.44-0.39 c pm	2.90	0.89-0.84 pm	2.02

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.95-43.05.

EURO-CURRENCY INTEREST RATES

Nov. 4	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝-10⅞	10⅝-10⅞	10⅞-11	11-11 1/16	11-11 1/16	10 15/16-11 1/16
U.S. Dollar	5⅞-6	5⅞-6	5⅞-6	5⅞-6	5⅞-6	6-6⅛
Can. Dollar	7⅞-8⅞	7⅞-8⅞	8 3/16-8 5/16	8¼-8½	8⅜-8½	8⅜-8⅞
D. Guilder	5⅛-5¼	5⅛-5⅜	5 5/16-5 7/16	5 5/16-5 7/16	5 5/16-5 7/16	5 5/16-5 7/16
Sw. Franc	1½-2	2-2⅛	3-3⅛	3⅞-4	3⅞-4	3⅞-4
Deutschmark	4 11/16-4 13/16	4 5/16-4 7/16	4½-4⅝	4½-4⅝	4 9/16-4 11/16	4⅝-4¾
Fr. Franc	7⅛-7¼	7⅛-7⅜	7 3/16-7 5/16	7¼-7⅜	7 13/16-8 1/16	7⅞-8⅛
Italian Lire	9½-10	9¾-10¼	9⅞-10¼	10⅛-10⅝	10⅛-10½	9⅞-10⅜
B. Fr. (Fin.)	7-7⅛	7⅛-7⅜	7 1/16-7 3/16	7 3/16-7 5/16	7⅝-7⅞	7⅜-7⅞
B. Fr. (Con.)	7-7½	7-7½	7⅛-7⅜	7¼-7⅝	7⅛-7⅜	7¼-7⅝
Yen	4⅛-4⅜	4 3/16-4⅜	4⅜-4 7/16	4⅜-4 7/16	4⅜-4 7/16	4⅜-4 5/16
D. Krone	9¼-9⅝	9⅜-9⅞	9¼-9⅞	9¾-10¼	9¾-10¼	10-10½
Asian $ (Sing.)	6-6⅛	5 13/16-6 1/16	5⅞-6	5 13/16-5 15/16	5 13/16-5 15/16	5 15/16-6 1/16

Long-term Eurodollars: Two years 6 11/16-6 13/16 per cent; three years 7-7¼ per cent; four years 7½-7¾ per cent; five years 7¾-8 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov 4	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.415	2.913	232.0	9.503	2.428	3.290	2012	1.967	60.50
$	0.707	1	2.058	163.9	6.715	1.715	2.325	1422	1.390	42.75
DM	0.343	0.486	1	79.66	3.263	0.833	1.130	690.8	0.675	20.77
YEN	4.310	6.099	12.55	1000	40.96	10.46	14.18	8672	8.476	260.8
F Fr.	1.052	1.489	3.065	244.1	10	2.555	3.462	2117	2.069	63.67
S Fr.	0.412	0.583	1.200	95.57	3.915	1	1.355	828.8	0.810	24.92
H Fl.	0.304	0.430	0.885	70.52	2.888	0.738	1	611.6	0.598	18.39
Lira	0.497	0.703	1.448	115.3	4.723	1.207	1.635	1000	0.977	30.07
C $	0.509	0.720	1.481	118.0	4.832	1.234	1.673	1023.	1	30.77
B Fr.	1.653	2.339	4.814	383.5	15.71	4.012	5.438	3326	3.250	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Weaker ahead of auction

EARLY INDICATIONS left some doubt about the outcome of yesterday's auction of $10bn three-year US Treasury notes. Rumour of an aggressive bidder led to a sudden rise in bond futures prices in Chicago, after it had been feared the auction was unlikely to be a great success.

Yesterday's Treasury note auction and the results of mid-term elections for the US Senate came too late to influence trading on the London International Financial Futures Exchange, but prices of dollar denominated contracts weakened as traders took profits ahead of these two events. December Treasury bonds fell to 97-31 from 98-23, partly reflecting a rumour that Saudi Arabia is to cut oil production by 1m barrels a day, to push up the price of oil. December Eurodollar deposits fell to 94-09 from 94-16.

December long term gilts opened lower at 111-05 as sterling's exchange rate index eased slightly in early London foreign exchange trading, and US Treasury bond futures also showed weakness. The gilt contract was sold down to 110-26 ahead of the UK official reserve figures for October.

Bank of England support for the pound early last month had led to expectations that the reserves would be down by about $500m, compared with a decline of $372m in September. The published fall of $868m, and fears that the figure might not fully reflect the full extent of the support for sterling by the authorities, took long gilts down to a low of 110-22, before covering of short positions helped spark a recovery. A steady performance by the pound and by oil prices also encouraged buying, and December long gilts finished at 111-07, only slightly below the previous close of 111-10.

Dealers commented that doubts about future trends in interest rates, and whether London rates would soon be influenced by last week's cut in the Japanese discount rate, led to a general mood of uncertainty. Increased retail interest in the cash market, following the changes to trading brought about by Big Bang, have not yet been reflected in higher volumes of Liffe.

December three-month sterling deposits also opened weaker at 88.92, on the slightly easier pound, and some sign of firming London interest rates. Doubts about rates pushed the contract down to 88.90, and then to a low of 88.86 on the announcement of the official reserves. It closed at 88.90, compared with 88.94 on Monday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	5.15	6.09	0.01	0.53
108	3.20	4.43	0.06	1.23
110	1.44	3.28	0.30	2.08
112	0.40	2.27	1.26	3.07
114	0.10	1.41	2.60	4.21
116	0.02	1.04	4.52	5.48
118	0.00	0.42	6.50	7.22
120	0.00	0.25	8.50	9.05

Estimated volume total, Calls 680 Puts 447
Previous day's open int. Calls 23,362 Puts 6,360

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	9.62	9.39	0.00	0.31
90	7.62	7.61	0.00	0.53
92	5.63	6.27	0.01	1.19
94	4.03	5.04	0.05	1.60
96	2.21	3.57	0.23	2.49
98	1.04	2.59	1.06	3.51
100	0.23	2.08	2.25	5.00
102	0.06	1.32	4.08	6.24

Estimated volume total, Calls 0, Puts 83
Previous day's open int. Calls 857, Puts 1063

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Nov.	Calls—Last Dec.	Puts—Last Nov.	Puts—Last Dec.
1550	—	10.84	—	0.54
1575	8.06	8.75	0.26	0.95
1600	5.91	6.86	0.61	1.56
1625	4.05	5.20	1.25	2.40
1650	2.56	3.81	2.26	3.51
1675	1.49	2.69	3.69	4.89
1700	0.78	1.83	5.48	6.53
1725	0.37	1.19	7.57	8.39

Estimated volume total, Calls 25, Puts 67
Previous day's open int. Calls 467, Puts 390

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 260 Puts 150
Previous day's open int. Calls 2,557 Puts 2,988

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Jun.	Puts—Last Nov.	Dec.	Jan.	Mar.	Jun.
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int.: Calls 2,382, Puts 1,010
Volume: 2

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int. Calls 47,578 Puts 88,706
Previous day's volume, Calls 38 Puts 61

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
93.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
93.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
93.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
93.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
94.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
94.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
94.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int. Calls 1,458 Puts 1,484
Estimated volume total, Calls 0 Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	111-07	111-08	110-22	111-10
March	111-10	111-04	110-30	111-14
June	111-13	—	—	111-14

Est volume 12,267 (16,580)
Previous day's open int. 16,428 (16,446)
Basis quote (clean cash price of 13¾% Treasury 2004/08 less equivalent price of near futures contract) -4 to 5 (32nds)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
Dec.	96-30	96-30	96-30	96-36
March	96-35	—	—	96-36

Est Volume 50 (40)
Previous day's open int. 831 (845)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec.	88.90	88.93	88.86	88.94
March	89.29	89.31	89.29	89.32
June	89.53	89.54	89.50	89.55
Sept.	89.44	89.46	89.40	89.45
Dec.	89.18	—	—	89.18
March	88.95	88.95	88.95	88.95

Est. Volume 3,565 (4,544)
Previous day's open int 13,845 (14,190)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec.	165.30	166.20	164.20	165.55
March	168.30	167.35	167.35	168.55

Estimated volume 512 (598)
Previous day's open int. 2,711 (2,740)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec.	94.09	94.12	94.07	94.16
March	94.07	94.11	94.06	94.16
June	93.91	93.94	93.91	93.99
Sept.	93.62	93.64	93.62	93.69
Dec.	93.26	93.30	93.25	93.32
March	92.85	92.90	92.90	92.92
June	92.47	—	—	92.54
Sept.	92.10	—	—	92.17

Estimated Volume 5,233 (2,683)
Previous day's open int. 26,209 (26,343)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	97-31	98-13	97-27	98-23
March	97-04	—	—	97-28
June	96-07	—	—	96-31

Estimated Volume 3,423 (3,522)
Previous day's open int. 5,501 (6,264)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4150	1.4099	1.3977	1.3818	1.3530

IMM—STERLING Se per £

	Close	High	Low	Prev
Dec.	1.4060	1.4080	1.4050	1.4045
Mar.	1.3895	1.3910	1.3875	1.3875
June	1.3750	1.3750	—	1.3715

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.4065	1.4062	1.4055	1.4050
Mar.	1.3893	—	—	1.3880
June	1.3738	—	—	1.3730

Estimated volume 9 (25)
Previous day's open int 1,593 (1,593)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec.	98-12	98-14	98-05	98-21
March	97-16	97-17	97-09	97-24
June	96-16	96-16	96-06	96-24
Sept.	95-17	95-17	95-08	95-24
Dec.	94-20	94-20	94-11	94-28
March	93-25	93-25	93-24	94-02
June	—	—	—	93-10
Sept.	—	—	—	92-20
Dec.	—	—	—	92-00
March	—	—	—	91-14

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.86	94.86	94.83	94.87
March	94.86	94.87	94.84	94.88
June	94.74	94.76	94.73	94.76
Sept.	94.51	—	94.49	94.51
Dec.	94.17	94.17	94.15	94.17

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sept.	—	—	—	—
Dec.	94.51	—	—	94.51

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.09	94.10	94.07	94.12
Mar.	94.09	94.10	94.07	94.11
June	93.93	93.93	93.90	93.93
Sept.	93.64	93.64	93.61	93.64
Dec.	93.26	93.26	93.23	93.25
Mar.	92.85	92.85	92.83	92.85
June	92.46	92.46	92.44	92.46
Sept.	92.08	—	92.07	92.08

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec.	245.05	245.40	244.30	245.95
March	245.70	246.00	245.00	246.60
June	246.60	—	245.85	247.45

MONEY MARKETS

London quiet with rates steady

TRADING WAS very quiet on the London money market yesterday. Interest rates showed little change, and although the Bank of England did not appear to give enough help to take out the full credit shortage, according to its own forecast, this was not reflected in any tightening of conditions in late trading.

Three-month interbank finished unchanged at 11 1/16-10 15/16 per cent.

The Bank of England forecast a money market shortage of £350m,

UK clearing bank base lending rate 11 per cent since October 15

but provided help of only £301m. Before lunch the authorities bought £25m bills outright, by way of £15m bank bills in band 2 at 10⅞ per cent, and £10m bank bills in band 3 at 10¾ per cent.

In the afternoon the Bank of England purchased £51m bills outright, through £28m bank bills in band 1 at 10⅞ per cent; £14m bank bills in band 2 at 10 13/16 per cent; and £9m bank bills in band 3 at 10¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £473m, with Exchequer transactions absorbing £50m. These outweighed a fall in the note circulation adding £40m to liquidity and bank balances above target by £155m.

In Paris the Bank of France injected funds into the money market, through purchases of certificates of first category paper, at an unchanged rate of 7 per cent.

In Frankfurt the Bundesbank accepted bids for DM8.5bn at yesterday's tender for a 28-day securities repurchase agreement, at a fixed rate of 4.35 per cent. Banks will receive the funds today, more than replacing two expiring agreements totalling DM6.8bn. Bids at yesterday's tender amounted to DM20.5bn. Call money was fairly steady at 4.65 per cent compared with 4.675 per cent on Monday. The Bundesbank's money stock grew at a seasonally adjusted rate of 7¾ per cent in October, compared with 7½ per cent in September, and well outside the target range of 3½ to 5½ per cent. Mr Gerhard Stoltenberg, West German Finance Minister, said in Bonn that economic policies aimed at maintaining monetary stability must be continued. The Bundesbank council meets tomorrow and is expected to keep the West German discount rate at 3½ per cent and the Lombard rate at 5½ per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	6¾
Fed. funds	5⅞
Fed. funds at intervention	5 11/16

Treasury Bills and Bonds

One month	5.02	Three year	6.47
Two month	5.04	Four year	6.66
Three month	5.40	Five year	6.72
Six month	5.55	Seven year	7.07
One year	5.73	10 year	7.32
Two year	6.26	30 year	7.61

Nov. 4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.60-4.70	4.45-4.60	4.50-4.65	4.50-4.65	4.55-4.70	5.5
Paris	7¼-7⅜	7¼-7⅜	7⅜-7½	7 7/16-7 9/16	7⅝-7¾	7
Zurich	⅞-1⅛	3 1/16-3 3/16	—	3⅞-4	—	—
Amsterdam	5⅜-5 9/16	5 5/16-5 7/16	—	5 5/16-5 7/16	—	—
Tokyo	4.03125	4.44375	—	4.28125	—	—
Milan	10⅝-11⅛	10⅞-11¼	—	11-11½	—	—
Brussels	5.40	7 1/16-7 3/16	—	7⅜-7½	—	—
Dublin	13⅛-13⅜	13 9/16-13 13/16	13⅝-13¾	13⅝-13¾	13⅝-13¾	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 4) 3 months U.S. dollars		6 months U.S. dollars	
bid 5⅞	Offer 6	bid 5⅞	Offer 6

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Nov. 4	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	12-10⅝	11-10⅝	11-10 13/16	11 1/16-10 15/16	11 1/16-10 15/16	11 1/16-10 15/16
Sterling CDs	—	—	10 15/16-10 13/16	11-10⅞	11-10⅞	10⅞-10¾
Local Authority Deposits	10¾-10⅝	10¾-10⅝	10⅞-10 13/16	10 15/16	10 15/16	10 15/16
Local Authority Bonds	—	—	11⅛	11 3/16	11 3/16	11 3/16
Discount Market Deposits	[illegible]	[illegible]	[illegible]	[illegible]	—	—
Company Deposits	—	—	[illegible]	[illegible]	[illegible]	—
Finance House Deposits	—	—	[illegible]	[illegible]	[illegible]	—
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	—	—
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Dollar CDs	—	—	5.85-5.80	5.85-5.80	5.85-5.80	5.95-5.90
SDR Linked Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 10⅝ per cent; three months 10⅜ per cent; Bank Bills (sell): one-month 10⅝ per cent; three months 10⅝ per cent; Treasury Bills: Average tender rate of discount 10.5631 p.c. ECGD Fixed Finance Scheme IV reference date October 8 to 31 (inclusive): 11.237 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from November 1, 1986: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11¼ per cent; one-three months 11¼ per cent; three-six months 11¼ per cent; six-nine months 11¼ per cent; nine-12 months 11¼ per cent; Under £100,000 10¾ per cent from October 16. Deposits held under Series 5 10¾ per cent. Deposits withdrawn for cash 5½ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102⅞	100	Exch. 13¼pc 1987	100	.....	13.20	10.94
100¾	97	Treas 10¼pcCv '87	99	–	10.28	10.56
98	92	Exch 2½pc 1987	98¼	–	2.54	8.32
101	97½	Exch. 10½pc 1987	99	–	10.52	10.99
98½	93⅝	Funding 6½pc 85-87	98	–	6.62	10.48
101¼	96	Treas. 10pc 1987	99	–	10.08	11.35
97	90⅞	Treas 3pc 1987	96½	.....	3.11	8.30
104½	99⅛	Treas. 12pc 1987	101	+	11.88	10.88
99¼	92	Treas 7¾pc 1985-88‡‡	96	.....	8.01	10.57
104	96⅛	Exch 10½pc '88	99	.....	10.59	11.13
102⅝	95⅛	Treas 9¾pc Cv '88	98	–	9.94	11.07
94¼	86⅝	Transport 3pc '78-88	91	–	3.27	8.39
102½	93	Treas. 9½pc '88	97¼	–	9.77	11.08
107	98	Treas 11½pc 1989	100	–	11.42	11.10
103½	93¼	Treas 9½pc Cnv 1989	96	–	9.82	11.06
92¼	82	Treas 3pc 1989	87⅞	.....	3.41	8.44
105	95	Treas 10½pc 1989	98	–	10.66	11.14
104	94¼	Exch 10pc 1989	97	–	10.29	11.19
107	97	Exch 11pc 1989	99	–	11.03	11.10
93	84½	Treas 5pc 1986-89	88½	–	5.65	9.57
110	94⅝	Exch 10¼pcCv '89	100¼	+	10.24	10.20
114	103	Treas 13pc 1990‡‡	104	–	12.38	11.06
109⅝	97¼	Exch 11pc 1990‡‡	99	–	11.02	11.04
113¼	101	Exch. 12½pc 1990	103	–	12.03	11.07
89¼	79⅝	Treas. 3pc 1990	83	.....	3.59	8.53
100	89⅛	Treas 8¼pc 1987-90‡‡	93	.....	8.85	10.55
106	93	Treas. 10pcCv 1990	96	–	10.35	11.07
96	76½	Exch 2½pc 1990	80	.....	3.10	8.25

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
112	30	Anglo-Dominion	99	.....	—	—	—
42	19½	Anglo Utd	25	+2	—	—	—
80	27	♥Colby Res Corp	30½	–1	—	—	—
300	115	Cons. Murch. 10c	£13¼	.....	Q60c	4.4	10.6
34	24	♯Emex Int. Ir10p	26	+1	—	—	—
144	70	Greenwich Res	138	+1	—	—	—
157	93	Hampton Areas 10p	148	+2	♦1.0	—	1.0
327	165	♥Highwood Res	242	–2	—	—	—
£20¾	£13⅞	Homestake Mining $1	£18⅞xd	.....	Q20c	—	0.7
310	156	♥McFinley Red Lake	214	+3	—	—	—
285	144	♥Musto Explorations	219	+13	—	—	—
51	28	♥New Sabina Res C$1	40	+½	—	—	—
353	200	Northgate C$1	331	+1	—	—	—
790	513	RTZ	688xd	–2	22.0	2.4	4.5
£164	£115	Do. 9⅛pcLn '95-2000	£145½xd	.....	Q9⅛%	15.5	6.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♯ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	.....	Fin. 13% 97/02	£96⅝	.....
Craig & Rose £1	£14¼	.....	Arnotts	270	.....
Finlay Pkg. 5p	46	.....	CPI Hldgs	40	.....
Holt (Jos) 25p	815	.....	Carrol Inds.	123	.....
IoM Stm. £1	75	.....	Dublin Gas	12	–18
			Hall (R. & H.)	78	.....
IRISH			Heiton Hldgs.	24	.....
Fund 11¼% 1988	£96⅞	.....	Irish Ropes	132	.....
Nat. 9¾% 84/89	£91¼	.....	Unidare	250	+5

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(International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*New time dealings may take place from 9.00 am two business days earlier.

Government bonds and shares close with minor falls after sluggish trading session

A sluggish performance by the pound left UK securities markets to trade cautiously while awaiting significant political and economic news from both sides of the Atlantic. The London markets closed a shade easier with major investors poised for overnight reports from the US on the mid-term Congressional elections, as well as the opening of the latest Federal funding programme.

But both gilt-edged securities and equities steadied towards the end of the day, when the disclosure of a sharp fall in UK official currency reserves was taken calmly.

Government bonds had "the quietest session since Big Bang," according to one major market maker. Initial weakness in sterling brought a trickle of early selling of gilt-edged, as the new-found confidence that domestic interest rates can be held steady was checked.

But there was little pressure, and prices were rallying when the announcement of the UK reserves brought another scattering of falls. However, the City was content with the offical comments on the October reserves statistics and gilt-edged steadied in the final hour, to show net falls of ½ or so. The FT Government Securities index dipped 0.17 to 83.02.

Caution ahead of the US elections did not prevent American investors from showing their hands in the London equity market.

BAT Industries advanced strongly, with 10m shares traded as the US investors switched to the buying tack. In addition to a favourable review in the UK press, BATs benefited from a chartist recommendation which predicted a share price of 525p—against yesterday's close of 489p.

Hanson Trust, however, was the stock most strongly favoured by US investors. Sixteen million Hanson shares were traded in London, on the back of 8m shares (in ADR form) in New York.

Beecham also attracted transatlantic interest, but outside these major names, the market was quiet. Oil stocks were sluggish, with BP recording much reduced turnover.

The FT-SE 100 Index shed 1.5 to 1637.7, while the FT Ordinary Index added 0.2 to 1294.3.

With trading results due shortly, Courtaulds moved up smartly, and on the hotel pitch, Trusthouse Forte came in for speculative support.

Delyn Packaging, which supplies Thermoform plastic packages to the major High Street retailers, jumped from 168p to 206p before closing at 198p after the Welsh Development Agency sold its 29 per cent stake to Mr Paul Norman, a private investor, at 200p. But Mr Norman "does not intend to make an offer" for the rest of the equity.

Lon Scot Fin up

Hire Purchase concern London Scottish Finance attracted speculative support and closed 4 higher at 69p following confirmation that a large stake in the company had recently changed hands; C. Howard and Partners Financial Management and Gosford Holdings sold their respective entire shareholdings of 62,500 and 1.7m shares at the end of last month. Elsewhere, Hill Samuel improved a few pence more to 372p in anticipation of tomorrow's interim results, while Goode Durrant and Murray reflected revived takeover hopes with a gain of 5 at 153p.

Sellers held sway among Composite Insurances. Commercial Union, scheduled to report third-quarter figures next Wednesday, cheapened 6½ at 280½p, while Royals gave up 11 at 815p; the latters 9-month figures are due a day later.

Significant movements among leading Buildings were few, but Barratt Developments attracted speculative demand and touched 155p before easing back on profit-taking to close 3 dearer on balance at 151p. BPB Industries were in demand again following reports of further broker's recommendation and the price rose 5 more to 490p. Redland traded firmly in ex-rights form and closed 3¼ up at 395½p; the new nil paid shares opened at 37p premium and progressed to 44p premium. RMC added 4 to 651p on occasional demand. Elsewhere, Burnett and Hallamshire touched 17p prior to closing a net 3½ up at 16p following country buying, while Ibstock Johnsen put on 9 to 188p as bid hopes revived. Helical Bar attracted fresh support ahead of tomorrow's interim statement and firmed 7 more to 393p, but Tysons (Contractors) shed a penny to 31p on news that the interim figures had been deferred until later this month.

Harris Queensway good

Investors continued to support leading retailers on hopes of a lucrative pre-Christmas trading period. Harris Queensway were particularly popular and rose 8 afresh for a two-day advance of 18 at 214p. Gussies "A" hardened a fraction more at £10⅝ and Storehouse gained 3½ at 337½p; the latter's interim results are due on November 13. Around 12m shares in Sears changed hands as speculators continued to anticipate news soon of a possible Robert Holmes a Court stake or, a consortium bid, but the shares ended the session 1¾ easier on balance at 137¾p. Secondary stocks were featured by a jump of 24 to 344p in John Menzies as takeover hopes revived. Smallbone put on 10 at 201p and Goldberg, awaiting Friday's interim figures, hardened a couple of pence at 152p.

Revived speculation surrounding ITT (UK's) stake of 110.6m shares in the company induced good demand for STC which left the shares 7 higher at 163p. Plessey returned to prominence as talk of a pending broker's circular and an unsuccessful attempt by a US investor to purchase 5m shares in the company saw the shares touch 183p before closing a couple of pence harder on balance at 179p. Confirmation of a 12 per cent price cut for trunk calls made by its Mercury Communications subsidiary depressed Cable and Wireless which fell 11 to 318p, while Telephone Rentals reflected competition worries with a decline of 8 at 185p. British Telecom, meanwhile, softened a fraction at 190½p after an active trade in which over 9m shares changed hands. Elsewhere, International Signal and Control firmed 6 to 253p on reports of a pending broker's circular and Radius added 11 at 106p following revived speculative support.

Hopkinsons featured in the Engineering sector, rising 24 to 314p in response to the good interim results and encouraging statement on the outlook. Revived speculative interest left Jones and Shipman 4 to the good at 110p, but Hobson, a rising market of late, reacted 3 to 33p on profit-taking. Creuite closed a penny unchanged at 74p, after 72p; it was announced yesterday that Mr Robert Cheesewright had increased his holding to 8.2 per cent. Dealings were temporarily suspended in Tyzack Turner at 95p, up 14, at the company's request pending an announcement.

Cadbury Schweppes attracted domestic and US support and closed 3 higher at the day's best of 192½p, but Associated British Foods softened a couple of pence to 291p after the interim results received a luke-warm Press response. Reports of a broker's profit-downgrading depressed Dee Corporation which closed 6 off at 204p, but Albert Fisher hardened 3 to 166p on the agreement to acquire three Guinness food subsidiaries for some £38m; Guinness slipped 5 to 332p. Hunter Saphir spurted 19 to 185p following speculative buying in a thin market, while Meat Trade Suppliers continued to reflect bid hopes with a fresh gain of 10 to 145p.

Trusthouse Forte attracted considerable interest and closed 6 higher at 172p.

Pilkington higher

With the exception of Hanson Trust, leading miscellaneous industrials passed a relatively quiet trading session. Helped by Press mention ahead of the interim figures expected shortly, Boots settled 2½ dearer at 236½p following a turnover of 6.4m shares. In contrast, Glaxo recorded a modest loss of 8 at 942p along with Beecham, a shade easier at 439p. Elsewhere, Powell Duffryn, reflecting buying ahead of the half-year results due on November 25, closed 11 higher at 289p. Bid speculation prompted a gain of 13 to 177p in AGB Research, while Pilkington advanced 9 further to 538p amid continuing BTR takeover talk. Bridport Gundry, in contrast, eased 8 to 225p on further consideration of the preliminary figures. Sterling Industries at 160p, gave up 10 of the previous day's Press inspired rise of 30. Transport Development encouraged buyers and closed 6½ higher at 179p, while Wyndham made further progress at 112p, up 6.

McCorquodale closed unchanged at 290p despite news that Robert Maxwell had purchased shares recently at 302p and 306p. Among other Paper/Printings, Jefferson Smurfit gained 10 to 273p and USM-lifted Therpac were 23 up at 213p, still on thoughts of expansion.

The Property leaders continued to trade quietly and showed few significant changes. Slough Estates, however, attracted interest at 179p, up 3½, but details of a £17m City property acquisition failed to stimulate British Land, which slipped a penny at 175½p. Elsewhere, Arlington Securities touched 201p before reverting to 198p following the announcement that the company is set to partner Teesland Development on the £25m Barrow-in-Furness town centre development scheme. Five Oaks continued to attract buyers in front of tomorrow's preliminary results and added 3 more to 60p, but Regalian, with interim figures due the same day, encountered selling and fell 22 to 345p. Still reflecting property development prospects, Southend Stadium firmed 7 more to 243p, but New England Properties dipped 6 to 16p on the decision not to retain certain completed property developments following a reduction in the company's bank borrowing capacity.

Courtaulds continued the upturn triggered recently by a broker's profits upgrading. Bullish newspaper mention yesterday created fresh interest ahead of the half-yearly statement, due on November 26, and the shares ended 9 higher at 318p. Other bright Textile spots included Illingworth Morris, up 6 at 128p, and Atkins Bros, which encountered renewed speculative demand and rose 18 to 261p. The chairman of the latter group said he knew of no reason to justify the latest rise in the share price. Early's of Witney jumped 16 to 131p on talk of a property sale; the company is marketing two sites for which tenders have been invited but as yet there have been no positive developments.

TR Natural Resources dropped 11 to 131p after news that the bid talks had been terminated. In contrast, the restoration of dealings after sharehlders' approval of the reorganisationproposals saw Kellock resume at 180p and rise to 197p before closing at 190p; the price at suspension has 116p. A report that AC Holdings could benefit from Australian inspired business brought a rse of 37 further to 330p while Templeton Galbraith advanced 15 to 220p follows a sharp increase in funds under management. Hunting Group were unsettled by the provsion of £2m for New England Properties and fel 5 to 116p.

Interest in recently buoyant oil faded as hoped-for rise in crude prices failed to materialise. Dealers reported that business reverted to very much the routine nature which prevailed prior to the replacement of Sheik Yamani as Saudi Arabian oil minister. The leaders fluctuated narrowly, BP settled a shade dearer at 687p, but Shell shading 1 to 924p ahead of tomorrow's third-quarter figues. Britoil shed 3 to 146p, as did Burmah, at 346p. A couple of bright spots emerged among secondary issues with Sun UK 23 higher at 65p on royalty payment hopes and New Court Natura Resources 2 up at 13p folowing newsletter comment.

In sharp contrast to proceedngs on Monday, South African Golds made progress across a broad front—their first recovery in four trading sessions. The share market's show of strengh was mainly attributable to bullion's continued rally from the recently tested ad psychologically important $400 barrier. The metal finally settled $2.75 up at $408.5 an ounce. This stimulated initial demand from Johannesburg which in turn prompted often substantial support from London and the Continent. Operators in New York, having displayed marketd reluctance to get involved in the sector in recent weeks, also responded enthusiastically and took out fresh positions, particularly in selected top-quality counters, and quotations subsequently closd at or around the day's best.

Gains among heavyweight Golds extended to over 3 points as in Vaal Reefs, £53. Randfontein advanced 2 to £59⅝, while "Amgold" improved 2 to £50⅛ andWesern Deep hardeed just over a point to £25⅛. Elsewhere, Freegold, 725p, and Kloof, 507p, rose 44 and 34 respectively. Illustrating the trend, the FT Gold Mines index rallied 9.9 to 281.2.

Dealers reported sharply reduced activity in overnight Sydney—the Melbourne market was closed for the Melbourne Cup holiday—conditions which were mirrored in London. Nevertheless, firmer bullion prompted occasional demand for "down-under" Gold with Poseidon 16 better at 230p and Gold Mines of Kalgoorlie 10 up at 623p. Revived interest in an extremely narrow market lifted Aquarius 7 for a two-day gain of 19 to 59p. Sons of Gwalia rallied 15 to 346p, while Minoil, which holds a 15.4 per cent to in Gwalia, improved a couple of pence to 35p; Minoil's annual report states that net assets were now 73.6c per share and also announced expansion into the Brazilian gold mining industry via an indirect stake in Mineracao Transamazonica which holds exploration and mining leases in the Amazon basin.

Geevor, Cornwall's former tin producer, rose 3 more to 34p—a two-day gain of 12—reflecting speculative demand amid vague hopes of a "shell" operation.

FINANCIAL TIMES STOCK INDICES

	Nov. 4	Nov. 3	Oct. 31	Oct. 30	Oct. 29	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	83.02	83.19	82.60	82.39	82.34	83.87	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.11	89.15	88.87	88.83	88.87	89.60	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,294.3	1,294.1	1,285.4	1,279.1	1,267.2	1,073.5	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	281.2	271.3	277.2	280.6	285.9	217.6	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.37	4.35	4.38	4.37	4.42	4.47				
Earnings Yld.%(full)	10.08	10.07	10.12	10.05	10.19	10.97				
P/E Ratio (net) (*)	12.16	12.17	12.11	12.20	12.03	11.27				
SEAQ Bargains (5.15pm)	30,360	33,179	28,131	26,509	25,522	—				
Equity Turnover	—	726.68	1,512.78	921.30	1,043.95	619.24				
Equity Bargains	—	39,534	43,590	40,978	43,618	27,132				
Shares Traded (ml)	—	355.7	389.6	354.1	332.2	291.9				

S.E. ACTIVITY

Indices	Nov. 3	Oct. 31
Gilt Edged Bargains	127.3	148.5
Equity Bargains	256.2	282.4
Equity Value	1468.8	3057.7
5-Day Average		
Gilt Edged Bargains	116.5	110.9
Equity Bargains	247.8	231.0
Equity Value	1951.8	1894.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1293.2	1290.5	1294.3	1300.8	1301.0	1301.3	1295.4	1295.0

Day's High 1301.4. Day's Low 1285.3.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.65.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

• For Settlement Feb 16 Mar 2 Mar 16

For rate indications see end of Unit Trust Service

Traded Options

Traded Options attracted another active and well-distributed business. As on Monday, Hanson Trust proved to be particularly popular and recorded 4,945 calls, the December 180's and 200's contributing 1,330 and 1,700 trades respectively. Boots were also lively with 3,106 calls struck, as were Courtaulds and TSB which accounted for 1,424 and 1,571 calls respectively. The FT-SE 100 recorded 1,093 calls and 1,377 puts. Total contracts done amounted to 32,688.

Traditional Options

- First dealings Nov 3 Nov 17 Dec 1
- Last dealings Nov 14 Nov 28 Dec 12
- Last declaration Feb 5 Feb 19 Mar 5

Extremely active conditions prevailed in Options with calls taken out in London International, Andictronic, Dee Corporation, Imtec, Greenwich Resources, Bristol Oil and Minerals, GKN, Samson, Richardson Westgarth, Hyman, Mellerware, Goodhead Print, Prestwick, Trusthouse Forte, RIOC Fosseco Minsep, F. and W. MacLellan, W. A. Wellcome, Sears, Johnson and Firth Brown, Health Care Services, Try Homes, SI, Helical Bar, North Kalgurli, A. F. Bulgin, Scout, Diffusion, Gestetner, Peek, Harris Queensway, Saatchi and Saatchi, Morgan Grenfell, British Land, British Car Auction, Wiggins, Systems Designers and Bio-Isolates. Puts were done in Hughes Food, Riley Leisure and Mecca. Double options were transacted in Abaco, New England, Greenwich Resources, Imry and Kennedy Brookes.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,100	167	−2	ICI	459	£10⅞	−⅛
Allied Lyons	655	310	−2	Jaguar	1,100	513	−2
BAT	10,000	487	+18	Ladbroke	176	365	−1
BOC	620	339	−½	Land Securities	549	331½	−½
BTR	1,200	289	−2	Legal & Gen.	1,700	230	−1
Barclays	325	481	−7	Lloyds Bnk	272	424	+1
Bass	147	745	—	Lonrho	404	238½	−2
Beecham	1,700	439	−1	Marks & Spncr	3,200	197	+½
Blue Circle	420	610	−1	Midland Bnk	561	552	—
Boots	6,400	237	+3	NatWest Bnk	998	523	−4
Brit. Aero	2,300	477	+3	P & O	495	517	−7
Britoil	4,500	146	−3	Plessey	6,300	179	+2
BP	1,700	687	+1	Prudential	624	783	+3
Brit. Telecom	9,100	190½	−½	Racal	3,700	174½	+½
Burton	3,000	287	−6	Reckitt & Col	741	781	+11
Cable & Wire	4,000	318	−11	Reuters	660	546	+7
Cadbury Schwps	5,500	192½	+3	RTZ	92	688	−2
Comm. Union	2,400	280½	−6½	Royal Insrnce	1,300	825	−11
Cons. Gold	678	644	+5	STC	9,800	163	+7
Courtaulds	2,200	318	+9	Sainsbury	891	399	+2
Dixons Grp	1,500	361	—	Sears	13,000	137¾	−1¾
Fisons	84	581	+2	Sedgwick	606	370	−4
Gen. Accident	545	844	−7	Shell Trans	534	924	−6
Gen. Elect	3,700	170	−1	Sun Alliance	58	689	−11
Glaxo	3,600	942	−8	TSB	9,900	81	−1
Grand Met	1,800	440	—	Tesco	351	402	—
Gus "A"	182	£10⅝	+⅛	Thorn EMI	916	464	−1
Guardian R.E.	344	814	−16	Trafalgar Hse	627	288½	+½
GKN	761	247	−2	T'house Forte	8,700	172	+6
Guinness	855	332	−5	Unilever	227	£19¼	+⅛
Hanson Trust	16,000	203½	+1	Utd Biscuits	1,600	234	+2
Hawker Sidd	454	437	+1				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	88	20
Corporations, Dom., and Foreign Bonds	1	19	49
Industrials	459	398	667
Financial & Properties	185	119	274
Oils	27	33	52
Plantations	2	2	10
Mines	77	30	75
Others	63	29	110
Totals	819	718	1257

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (131)

CANADIANS (1), BANKS (1), BREWERS (1), BUILDINGS (8), CHEMICALS (5), STORES (6), ELECTRICALS (4), ENGINEERING (4), FOODS (5), INDUSTRIALS (24), LEISURE (7), NEWSPAPERS (1), PAPER (7), PROPERTY (7), TEXTILES (2), TOBACCOS (1), TRUSTS (43), OILS (1), PLANTATIONS (1), MINES (2).

NEW LOWS (13)

CHEMICALS (1) Morceau, STORES (1) Gee (Cecil), ELECTRICALS (3) Fletcher Dennys, Micro Scope, P-E Internat., FOODS (1) Sims Catering, INDUSTRIALS (2) Ropner, Do. A, LEISURE (2) Lewmas, Scanro, PAPER (1) Moorgate Group, SHIPPING (1) Sea Containers, OILS (1) KCA Drilling.

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tuesday November 4 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Nov 3 Index No.	Fri Oct 31 Index No.	Thur Oct 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	666.03	+0.1	9.11	3.64	13.93	15.51	665.27	661.38	658.17	557.96
2	Building Materials (27)	811.48	+0.7	8.87	3.64	14.30	17.46	805.73	799.28	797.36	623.80
3	Contracting, Construction (30)	[illegible]									
4	Electricals (12)	[illegible]									
5	Electronics (38)	[illegible]									
6	Mechanical Engineering (60)	[illegible]									
8	Metals and Metal Forming (7)	[illegible]									
9	Motors (16)	[illegible]									
10	Other Industrial Materials (21)	[illegible]									
21	CONSUMER GROUP (185)	[illegible]									
22	Brewers and Distillers (22)	[illegible]									
25	Food Manufacturing (24)	[illegible]									
26	Food Retailing (16)	[illegible]									
27	Health and Household Products (10)	[illegible]									
29	Leisure (27)	[illegible]									
32	Publishing & Printing (15)	[illegible]									
33	Packaging and Paper (14)	[illegible]									
34	Stores (38)	[illegible]									
35	Textiles (17)	[illegible]									
36	Tobaccos (2)	[illegible]									
41	OTHER GROUPS (87)	[illegible]									
42	Chemicals (20)	[illegible]									
44	Office Equipment (4)	[illegible]									
45	Shipping and Transport (13)	[illegible]									
47	Telephone Networks (2)	[illegible]									
48	Miscellaneous (48)	[illegible]									
49	INDUSTRIAL GROUP (483)	[illegible]									
51	Oil & Gas (17)	[illegible]									
59	500 SHARE INDEX (500)	[illegible]									
61	FINANCIAL GROUP (118)	[illegible]									
62	Banks (8)	[illegible]									
65	Insurance (Life) (9)	[illegible]									
66	Insurance (Composite) (7)	[illegible]									
67	Insurance (Brokers) (9)	[illegible]									
68	Merchant Banks (12)	[illegible]									
69	Property (49)	[illegible]									
70	Other Financial (24)	[illegible]									
71	Investment Trusts (99)	[illegible]									
81	Mining Finance (2)	[illegible]									
91	Overseas Traders (13)	[illegible]									
99	ALL-SHARE INDEX (732)	[illegible]									
	FT-SE 100 SHARE INDEX ♦	1637.7	−1.5	[illegible]							

FIXED INTEREST

	PRICE INDICES	Tue Nov 4	Day's change %	Mon Nov 3	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	119.32	−0.09	119.43	—	9.57
2	5-15 years	130.34	−0.23	130.64	—	11.61
3	Over 15 years	[illegible]				
4	Irredeemables	[illegible]				
5	All stocks	[illegible]				
	Index-Linked					
6	5 years	[illegible]				
7	Over 5 years	[illegible]				
8	All stocks	[illegible]				
9	Debentures & Loans	[illegible]				
10	Preference	79.90	+0.16	79.77	—	5.41

AVERAGE GROSS REDEMPTION YIELDS

		Tue Nov 4	Mon Nov 3	Year ago (approx.)
	British Government			
1	Low Coupons 5 years	9.74	9.72	10.08
2	Low Coupons 15 years	[illegible]		
3	Low Coupons 25 years	[illegible]		
4	Medium Coupons 5 years	[illegible]		
5	Medium Coupons 15 years	[illegible]		
6	Medium Coupons 25 years	[illegible]		
7	High Coupons 5 years	[illegible]		
8	High Coupons 15 years	[illegible]		
9	High Coupons 25 years	[illegible]		
10	Irredeemables	[illegible]		
	Index-Linked			
11	Inflat'n rate 5% 5 yrs	[illegible]		
12	Inflat'n rate 5% Over 5 yrs	[illegible]		
13	Inflat'n rate 10% 5 yrs	[illegible]		
14	Inflat'n rate 10% Over 5 yrs	[illegible]		
15	Debs & Loans 5 years	[illegible]		
16	Debs & Loans 15 years	[illegible]		
17	Debs & Loans 25 years	[illegible]		
18	Preference	[illegible]		

♦Opening index 1635.9; 10 am 1632.7; 11 am 1636.5; Noon 1642.5; 1 pm 1643.1; 2 pm 1643.0; 3 pm 1636.5; 3.30 pm 1636.9; 4 pm 1638.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Allied Lyons (*309)	280	40	52	60	4	6	10
	300	25	35	45	10	13	18
	330	11	17	30	28	30	33
	360	2½	9	—	53	55	—
B.P. (*686)	550	150	165	—	3	6	—
	600	102	120	—	6	15	—
	650	60	80	95	15	32	42
	[illegible]						

Further series (data [illegible]): Cons. Gold, Courtaulds, Com. Union, Cable & Wire, G.E.C., Grand Met., I.C.I., Land Securities, Marks & Spen., Shell Trans., Trafalgar House, TSB, Lonrho, Brit. Aero, BAT Inds, Barclays, Brit. Telecom, Cadbury Schweppes, Guinness, Imperial Gr., Ladbroke, LASMO.

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk (*552)	500	57	72	82	2	8	12
	550	15	35	47	13	27	33
	600	3	10	18	52	55	60
P. & O. (*516)	460	62	77	87	1½	5	8
	500	23	42	57	5	13	22
	550	3	18	28	37	43	48
	600	0½	—	—	85	—	—

Further series (data [illegible]): Racal, R.T.Z., Vaal Reefs, Tr. 11¾% 1991, Tr. 11¾% 03/07, Beecham, Boots, BTR, Bass, Blue Circle, De Beers, Dixons, GKN, Glaxo, Hanson, Jaguar, Tesco, Thorn EMI, FT-SE Index.

November 4. Total Contracts 32,688. Calls 23,754. Puts 8,932. FT-SE Index. Calls 1,093. Puts 1,377. *Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$360	20	51	—	—	—	—	$408.40
GOLD C	$400	14	12.50	7	26A	2	35B	"
GOLD C	$420	13	2.70B	124	16B	27	25	"
GOLD C	$440	—	—	21	9	69	17	"
GOLD C	$460	3	0.60	13	4.50	3	11.50	"
GOLD C	$480	—	—	—	—	63	7	"
GOLD P	$320	—	—	50	0.50	—	—	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 44,594

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Nov. 4	Price Sch	+ or −
Credit'nst'lt pp	2,245	+5
Goesser	3,260	
Interunfall	13,200	−500
Jungbunzlauer	11,000	−50
Laenderbank	2,240	+10
Perlmooser	630	−8
Steyr Daimler	157	
Veitscher Mag	11,000	

BELGIUM/LUXEMBOURG

Nov. 4	Price Frs.	+ or −
B.B.L.	3,050	+40
Banq. Gen. Lux.	16,300	
Banq. Int. A.Lux.	15,100	
Bekaert	10,450	
Ciment CBR	3,720	+100
Cockerill	142	
Delhaize	2,800	−50
EBES	4,760	+60
Electrobel	14,925	
Fabrique Nat.	2,000	
GB Inno BM	8,450	
GBL (Brux)	3,830	+30
Generale Bank	5,890	−10
Gevaert	6,060	−40
Hoboken	7,450	−40
Intercom	3,840	+135
Kredietbank	16,125	
Pan Hldgs.	11,200	
Petrofina	9,550	−60
Royale Belge	29,150	
Soc. Gen. Belge	3,165	+40
Sofina	10,900	−100
Solvay	8,120	−40
Stanwick Intl.	250	
Tractionel	6,250	+120
UCB	9,030	+30
Wagons Lits	5,690	−40

DENMARK

Nov. 4	Price Knr %	+ or −
Baltica Skand.	645	
Cop Handels'nk.	253	+1
D. Sukkerfab.	366	−3
Danske Bank	278	+1
East Asiatic	174	−4
Forenede Brygg.	1,000	
GNT Hld	338	+6
I.S.S.B.	710	+10

GERMANY

Nov. 4	Price Dm.	+ or −
AEG	312.5	+1
Allianz Vers.	2,244	+46
BASF	279.9	+1.7
Bayer	307.0	+1.5
Bayer-Hypo	574	+5
Bayer-Verein	526	+1
BHF-Bank	514	+5
BMW	575	−1.5
Brown Boveri	307.5	−0.5
Commerzbank	312.5	+1.5
Cont'l Gummi	328.8	+3.8
Daimler-Benz	1,274	+6.5
Degussa	485	+1
D'sche Babcock	203	+5
Deutsche Bank	788	+4
Dresdner Bank	397	+7.2
Feld-Muehle Nbl	295	
Henkel	459.9	+2.1
Hochtief	1,098	
Hoechst	266	−2
Hoesch werke	135.5	−1.5
Holzmann (P)	542	−16
Horten	259.5	+2.5
Hussel	622	−0.5
Karstadt	471	+1
Kaufhof	549	+4
KHD	195.5	−0.2
Kloeckner	73.5	−0.4
Linde	805.5	+11.5
Lufthansa	188.5	+0.5
MAN	239	+0.2
Mannesmann	184.5	+3.5
Mercedes Hld.	1,155	+10
Metallgesell	325	+6
Muench Rueck	2,350	−70
Nixdorf	706	+9.2
Porsche	1,010	+5
Preussag	209.1	−1.9
Rhein West Elect	230	+0.5
Rosenthal	425	−10
Schering	626	
Siemens	703.2	−0.3
Thyssen	152.5	
Varta	372	+2
Veba	284	−2.7
V.E.W.	152	+0.5
Verein-West	475	
Volkswagen	466.5	+1.3

NORWAY

SPAIN

SWEDEN

ITALY

CANADA

TORONTO

MONTREAL

Indices

NEW YORK

TORONTO	Nov 4	Nov 3	Oct 31	Oct 30
Metals & Minls	2,121.88	2,113.7	2,088.2	2,087.48
Composite	3,062.88	3,051.5	3,028.9	3,025.68
MONTREAL Portfolio	557.82	554.79		537.7

* Indicates pre-close figure

OVER-THE-COUNTER

Nasdaq national market, closing prices

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

A C Hldgs	330	+37
AGB Research	177	+13
Atkins Bros	261	+18
BAT Inds	487	+18
Broad Street	57	+ 8
Burn & Hallam	16	+ 3½
Courtaulds	318	+ 9
Delyn	198	+30
Geevor Tin	34	+ 3
Harris Queens	214	+ 8
Hopkinsons	314	+24
Hunter Saphir	185	+19
Menzies (J)	344	+24
Poseidon	230	+18
Powell Duffryn	289	+11
Radius	106	+11
STC	163	+ 7
Storehouse	340	+ 6
Sun (UK) Royalty	63	+23
Temp'on Galbra	220	+15
Thorpac	213	+23
Trusthouse Forte	172	+ 6
Tyzack Turner	95*	+14
Vaal Reefs	£53½	+ 3¼

FALLS

Tr 11¾% '01/04	£105¹⁵⁄₁₆	− ⅛
Cable & Wireless	318	−11
Hunting Assoc	116	− 5
New Engl Prop	16	− 6
TR Nat Resources	131	−11

* Price at suspension

N. AMERICAN QUARTERLY RESULTS

KROGER
Supermarkets

Third quarter	1986 $	1985 $
Revenue	4.93bn	4.7bn
Net profits	†51.25m	45.04m
Net per share	−	0.50
Nine months		
Revenue	12.75bn	12.07bn
Net profits	32.58m	123.16m
Net per share	0.35	1.38

† Loss after $164m charge

TAMBRANDS
Tampons

Third quarter	1986 $	1985 $
Revenue	128.9m	119.7m
Net profits	18.9m	16.02m
Net per share	1.71	1.45
Nine months		
Revenue	370.8m	317.7m
Net profits	55.07m	49.06m
Net per share	4.97	4.43

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26 1/2	14 3/4	AAR s	.44	1.8	18	149	24	23 3/4	23 7/8	- 1/8
30	21 3/4	ADT	.92	3.4		510	27	26 1/2	26 7/8	+ 1/4
33	13 3/4	AFG s	.12	.4	15	606	30 3/4	30 1/4	30 1/4	- 3/8
25 3/8	15 3/8	AGS			14	267	22 1/8	21 3/4	22	- 1/8
15	7 3/4	AMCA				177	8	7 7/8	8	+ 1/8
62 1/8	36 3/4	AMR			14	4086	60 3/8	58 1/8	60 1/8	+ 1 1/8
27 1/2	23 1/4	ANR pf	2.67	10.		19	27	26 1/8	26 1/2	
16 3/4	10	ARX	.71i	6.5	10	67	11 1/8	10 7/8	10 7/8	
41 1/2	28 3/4	ASA	2a	5.4		430	37 1/8	36 1/4	37 1/8	+ 1 1/8
18 3/8	9 3/4	AVX		2.8		263	12 1/2	12	12 3/8	+ 3/8
32	24 1/8	AZP	2.72	9.5	9	1485	28 3/4	28 1/4	28 3/4	+ 3/4
55	29 7/8	AbtLb s	.84	1.9	20	6810	45	43 3/8	44 7/8	+ 1 1/4
32	22 1/2	AccoWd	.56	2.1	17	61	27	26 7/8	27	+ 3/8
14 7/8	9	AcmeC	.40	3.9		60	10 1/2	10 1/8	10 3/8	- 1/8
8 1/4	6 1/4	AcmeE	.32b	4.9	17	58	6 5/8	6 1/4	6 1/2	+ 1/8
23 7/8	17 1/4	AdaEx	4.45e	22.		211	20 1/2	20 1/8	20 1/2	+ 1/4
33 3/8	18 3/4	AdmMl	.40	1.5	13	84	27 3/8	26 1/4	27 3/8	+ 3/4
20 3/8	12 1/8	AdvSys	1.45t	9.9	13	89	14 3/4	14 1/4	14 3/8	+ 1/4
32 7/8	12 7/8	AMD				5914	15 3/4	14 1/4	15 3/4	+ 1 3/8
12 3/8	5 1/4	Adobe				1067	5 5/8	5 3/8	5 1/2	+ 1/8
18 3/8	13 3/4	Adob pf	1.84	12.		54	15 3/8	15 1/4	15 3/8	+ 3/8
20 1/4	15 1/4	Adob pf	2.40	13.		1	18	18	18	
18 3/8	8 1/4	Advest	.12a	.8	11	277	14 1/2	14 3/8	14 3/8	- 1/8
66 1/4	46 3/4	AetnLf	2.64	4.7	8	2812	57	55 7/8	55 7/8	- 1/8
56 3/8	51 1/2	AetL pf	4.69e	8.8		45	53 1/4	53 1/4	53 1/4	- 1/8
26 3/4	12	Ahmnss	.46	2.1	7	1899	22	21 1/8	21 3/8	- 1/8
5 3/4	2 3/8	Aileen			45	65	3 3/8	3 1/8	3 1/8	
41 3/8	27	AirPrd s	.80	2.2	47	2557	36 3/8	35 3/8	35 3/4	- 5/8
27 3/4	16	AirbFrt	.60	2.5	17	1204	24 1/4	22 1/2	23 7/8	+ 1 1/8
20 3/8	19 1/4	Airlse n				30	19 7/8	19 3/8	19 3/4	+ 1/8
2	1/4	AlMoan	1.60c			135	5-16	9-32	9-32	- 1-16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
5⅛	2⅞	ParkDr104		1.3		174	3¼	3	3⅛	
30½	20¼	ParkH s	.80	3.0	13	679	26¾	26½	26½	−⅛
4⅜	2⅝	PatPtr				54	3	2⅞	2⅞	−⅛
19¾	4⅞	Patten s			25	788	u19⅜	18¾	18⅞	−⅛
19⅜	8½	PayNP	.40	3.7	9	101	11	10⅞	10⅞	−¼
27½	13⅜	PayCsh	.16	.8	16	688	20⅜	19¾	20	+¾
¾	7-32	Pengo				290	5-16	9-32	5-16	+1-16
62½	45¾	PenCen			28	1258	59¾	58⅞	59	
86¾	47¾	Penney2.48		3.1	14	4611	81¼	79⅝	80¼	+¾
40⅝	28¼	PaPL	2.60	6.6	14	1393	39⅝	38¾	39⅜	+⅜
100	71	PaPL	pf8.60	8.7		z50	99⅝	99⅜	99⅜	−⅝
30¼	26	PaPL	dpr2.90	9.7		5	29¾	29¾	29¾	
105½	94	PaPL	pf9.24	8.9		z330	0104¼	103½	104¼	+1¼
94½	65¼	PaPL	pr 8	8.5		z200	94	93	94	−¾
99¾	70¼	PaPL	pr8.70	8.8		z120	0099¼	99¼	99¼	+3¼
59	35	Penwlt 2.20		4.3	20	22	50¾	50½	50¾	
34¾	22¾	Penw	pr1.60	5.3		296	30¼	30	30	−½
81	46⅞	Pennzol2.20		3.0	71	1734	74	71¾	73	−¼
28¾	16¾	PeopEn1.32		5.6	10	209	23½	23	23⅜	+⅛
46¾	25⅛	PepBoy	.22	.5	32	486	43	41¼	42⅞	+⅝
35⅝	21⅛	PepsiCo	.64	2.3	16	6665	28	27⅜	27¼	−⅜
13⅛	11¾	PerkF n				54	12⅝	12⅜	12½	+¼
36⅞	23⅛	PerkEl	.60	2.2	17	1758	27⅞	27	27⅜	−⅜
8	5¾	Prmian.72e		11.	6	512	6½	6¼	6⅜	−⅛
20⅞	12⅜	PeryDr	.22	1.8	15	1411	13	12⅜	12½	−⅜
35¾	21⅜	Petrie s	.70	2.4	17	2439	29⅛	27¾	29	+1¼
31⅛	22¾	PetRs	4.34e	14.		102	30⅞	30⅝	30⅝	−⅜
20	16	PetRs	pf1.57	7.9		20	19⅞	19¾	19⅞	+⅛
3⅝	1⅞	PtrInv	.45e	24.		1	1⅞	1⅞	1⅞	−⅛
72⅞	46¼	Pfizer	1.64	2.7	15	3623	60¼	59¾	59⅞	−½
32½	16	PhelpD			22	284	21	20⅞	20⅞	−⅛
68	48¾	Phelp	pr 5	9.1		6	54¾	54¼	54¾	+¾
24⅝	14⅞	PhilaEl2.20		9.3	8	6093	23⅞	23⅝	23⅝	−½

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
72¼	48⅝	Xerox	3	5.2	13	3251	58⅛	57	58	+⅜
58¾	54	Xerox	pf5.45	9.5		23	57½	57¼	57⅜	−⅛
28¾	20¾	XTRA	.64	2.6		148	24½	23⅞	24¼	+¼
15¾	13½	Yorkin n				356	18¼	17⅞	18	−¼
45¾	28¼	ZaleCp 1.40		3.3		483	42⅞	41½	41⅞	−1
35	22½	Zale	p/A .80	2.3		2	34¼	34¼	34¼	−¾
9½	2⅜	Zapata	.03j			457	2⅝	2½	2⅝	+⅛
43⅞	20¾	Zayre s	.32	1.3	17	3890	25½	24½	25⅛	+½
29⅞	16⅝	ZenithE				493	22⅛	21⅝	22	−⅛
18¼	8	ZenLb s			55	1278	9	8½	8¾	
22⅝	12⅝	Zero s	.28	1.9	15	21	15	15	15	+⅛
45¾	32¾	Zurnin 1.32		3.5	15	73	38¼	37⅝	38¼	
10⅝	9¾	Zweig n				488	10	9¾	9⅞	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Election day gloom dissipates

RECOVERING from morning profit-taking, stock prices ended the day essentially unchanged on Wall Street yesterday, *writes Roderick Oram in New York.*

Help came from the bond market which also managed to recover lost ground despite wariness over this week's Treasury refunding and yesterday's elections.

Investors were waiting to see what gains Democrats might make, believing a strong showing would lead to more protectionist trade policies and some curbs on takeover activity.

After being down around 15 points in mid-morning, the Dow Jones industrial average closed down 1.82 at 1,892.44. The New York Stock Exchange composite index edged up 0.23 of a point to 141.60. Volume was moderately heavy at 163.24m shares with advancing issues outnumbering declining by 872 to 689.

Among blue chips, IBM fell $½ to $125⅞, AT&T rose $⅛ to $25, Du Pont rose $⅜ to $88¾, Exxon gained $⅝ to $70 and McDonald's edged ahead $⅛ to $63¾.

Union Carbide fell $⅞ to $21⅛ on plans to buy back $2.5bn of securities, financing the purchase in part through a $500m common share issue.

Car makers were mixed after releasing lower sales figures for the last part of October. Ford fell $⅞ to $58⅝ while Chrysler gained $¼ to $39⅝ and General Motors gained $⅞ to $73¾.

In the takeover arena, Gillette rose $3⅜ to $51⅞ on top of a $3⅜ rise on Monday, on rumours it would soon receive a bid from Unilever or CPC International. Analysts estimate Gillette may be worth $60 to $65 a share valuing it at between $3.9bn and $4.2bn. Unilever rose $2¼ to $110¼ in New York while CPC gained $⅜ to $84½.

E. F. Hutton gained $2⅜ to $53⅞ on renewed speculation that American Express, down $¾ to $58½, was about to offer a share swap. It was believed that American Express's Shearson Lehman securities firm wanted to acquire only Hutton's brokerage arm and would spin off the rest of the firm to a Japanese securities house.

Goodyear Tire and Rubber edged ahead $⅛ to $48⅜ on nearly 3m shares. The company is preparing restructuring proposals to thwart plans by an investment group led by Sir James Goldsmith to bid for or seek some other business combination with Goodyear.

Hanson Trust, whose US unit, Hanson Industries, has a 20 per cent stake in Sir James's investment group, was among the most active New York Stock Exchange shares on its second day of listing in the form of American Depositary Receipts. Its price rose $⅛ to $14⅜ with 2.3m ADRs traded.

BankAmerica fell $1 to $15⅛. The ailing bank holding company asked First Interstate Bancorp, up $⅛ to $53¾ to withdraw its takeover offer valued at around $22 a share.

Gelco eased $½ to $23¾. It activated a "poison pill" plan in an attempt to defend itself against a $26 a share takeover offer from Coniston Partners, a New York investment group.

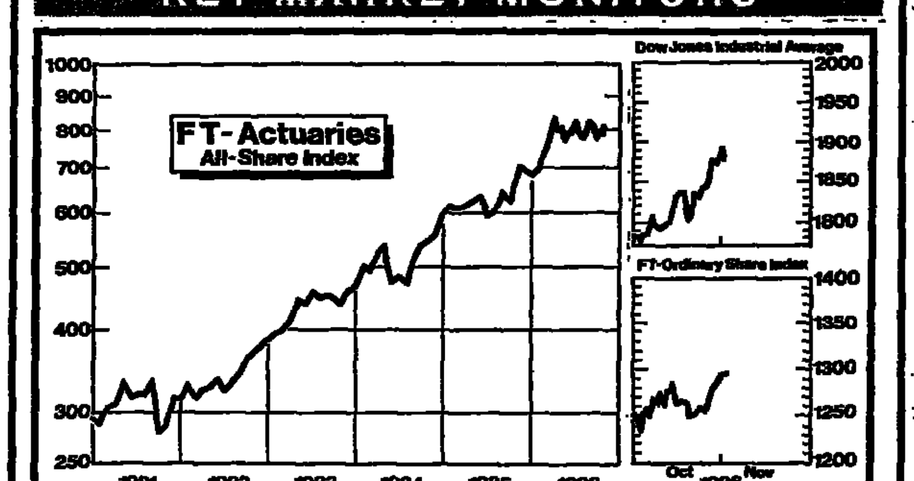
In the credit markets, bond prices opened down about ½ a point reflecting overnight trading as investors abroad prepared for the beginning of this week's Treasury quarter refunding. A weaker dollar, a subdued election day atmosphere and a reportedly cool market reception to a heavy volume of corporate debt issue also contributed to the weakness in the morning.

But prices picked up in the afternoon as word spread that the first day's auction of the refunding had attracted strong demand. The 7.25 per cent benchmark Treasury bond due 2016 ended up ½₂ of a point at 95⅞₂ at which it yielded 7.57 per cent.

Three-month bills gained three basis points to 5.24 per cent, six-month bills gained four basis points to 5.32 per cent while 12-month bills were unchanged at 5.41 per cent.

The auction of $10bn of three-year Treasury notes attracted a heavy $40.21bn worth of bids. The average yield on the bids accepted was 6.42 per cent, down from 6.73 per cent at the previous three-year note auction on August 5 and the lowest since November 3, 1976. The average dollar price was 99.879 and the coupon 6.25 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Nov 4	Previous	Year ago
DJ Industrials	1,892.44	1,894.26	1,389.68
DJ Transport	843.50	841.38	684.21
DJ Utilities	209.57	210.67	160.70
S&P Composite	246.20	245.80	191.25
LONDON	Nov 4	Previous	Year ago
FT Ord	1,294.3	1,294.1	1,073.5
FT-SE 100	1,637.7	1,639.2	1,380.9
FT-A All-share	810.96	811.26	673.40
FT-A 500	886.99	886.42	734.51
FT Gold mines	281.2	271.3	217.6
FT-A Long gilt	10.34	10.29	10.44
TOKYO			
Nikkei	16,786.90	c	12,808.1
Tokyo SE	1,396.94	c	1,018.51
AUSTRALIA			
All Ord.	1,381.1	1,375.5	1,015.5
Metals & Mins.	700.9	697.8	501.9
AUSTRIA			
Credit Aktien	227.82	227.65	96.89
BELGIUM			
Belgian SE	3,914.41	c	2,853.22
CANADA			
Toronto			
Metals & Minls	2,121.60	2,113.80	1,780.0
Composite	3,062.80	3,051.5	2,700.1
Montreal			
Portfolio	557.92	554.79	130.33
DENMARK			
SE	–	194.21	229.18
FRANCE			
CAC Gen	382.40	382.60	222.9
Ind. Tendance	146.30	146.50	81.5
WEST GERMANY			
FAZ-Aktien	670.38	666.67	600.44
Commerzbank	2,013.30	2,002.90	1,781.4
HONG KONG			
Hang Seng	2,265.82	2,258.78	1,702.19
ITALY			
Banca Comm.	–	764.81	414.57
NETHERLANDS			
ANP-CBS Gen	279.60	278.50	228.7
ANP-CBS Ind	278.20	276.90	206.5
NORWAY			
Oslo SE	374.14	374.42	392.19
SINGAPORE			
Straits Times	934.78	940.64	763.69
SOUTH AFRICA		Prev	Year Ago
JSE Golds	–	1,759.0	1,125.7
JSE Industrials	–	1,400.0	942.8
SPAIN			
Madrid SE	186.69	186.85	91.94
SWEDEN			
J & P	2,651.70	2,627.49	1,479.88
SWITZERLAND			
Swiss Bank Ind	577.20	575.70	512.4
WORLD	Nov 3	Previous	Year ago
MS Capital Int'l	337.4	336.8	234.4

COMMODITIES

(London)	Nov 4	Prev
Silver (spot fixing)	405.40p	397.65p
Copper (cash)	£924.50	£920.00
Coffee (Jan)	£2,349.00	£2,323.00
Oil (Brent blend)	$14.30	$14.25

GOLD (per ounce)

	Nov 4	Prev
London	$408.50	$405.75
Zürich	$408.05	$406.25
Paris (fixing)	$407.46	$400.02
Luxembourg	$407.20	$403.5
New York (Dec)	$411.10	$406.8

CURRENCIES

	US DOLLAR		STERLING	
(London)	Nov 3	Previous	Nov 3	Previous
£	–	–	1.4160	1.4155
DM	2.0575	2.0635	2.9125	2.9125
Yen	163.90	163.95	232.00	231.50
FFr	6.7150	6.7375	9.5025	9.51
SFr	1.7150	1.7175	2.4275	2.425
Guilder	2.3250	2.3315	3.29	3.29
Lira	1,422.00	1,425.00	2,012.00	2,011.50
BFr	42.75	42.90	60.50	60.55
C$	1.3905	1.3915	1.9665	1.9635

INTEREST RATES

Euro-currencies (3-month offered rate)	Nov 4	Prev
£	[illegible]	11⅛
$	6	[illegible]
SFr	4	3⅞
DM	4⅝	4⅝
FFr	7⅞	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6	5¹⁵⁄₁₆
6-month US$	6	5⅞
US Fed Funds	5⁹⁄₁₆*	5¹¹⁄₁₆
US3-month CDs	5.60*	5.775
US3-month T-bills	5.23*	5.34

US BONDS

Treasury	November 4* Price	Yield	Prev Price	Yield
6⅝ 1988	100⁵⁄₃₂	6.222	100¹⁄₃₂	6.168
7¼ 1993	100²⁹⁄₃₂	7.056	100⁹⁄₃₂	7.021
7⅜ 1996	100¹⁶⁄₃₂	7.292	100²⁸⁄₃₂	7.255
7¼ 2016	96⁹⁄₃₂	7.583	95¹⁹⁄₃₂	7.547

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	158.25	–0.15	6.97	+0.02
1–10	150.88	–0.07	6.65	+0.02
1– 3	141.30	–0.02	6.23	+0.01
3– 5	153.72	–0.07	6.79	+0.02
15–30	184.71	–0.48	8.03	+0.03

Source: Merrill Lynch

Corporate	November 4* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	92.375	6.25	92.217	6.30
SCBT South Central 10⅞ Jan 1993	107.75	9.313	107.75	9.313
Phibro-Sal 8 April 1996	98.75	8.191	98.75	8.191
TRW 8⅞ March 1996	102.50	8.355	102.50	8.355
Arco 9⅞ March 2016	107.00	9.180	107.00	9.180
General Motors 8⅝ April 2016	91.5	8.947	91.5	8.947
Citicorp 9⅝ March 2016	97.75	9.603	97.75	9.603

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	98-23	98-23	98-03	98-21
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.87	94.87	94.83	94.87
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.09	94.12	94.07	94.16
20-year Notional Gilt £50,000 32nds of 100%				
Dec	111-07	111-08	110-22	111-10

* Latest available figures

TOKYO

Institutional absence takes toll

TRADING was extremely slow in Tokyo yesterday following Monday's holiday and share prices closed lower for the third consecutive day due to uncertainties over the market's direction, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average shed 49.69 from last week's close to 16,786.90. Volume shrank to 245m shares from Friday's 502m. Declines outnumbered advances by 410 to 335, with 155 issues unchanged.

Institutional investors shied away from the market and individuals were generally inactive. Both were awaiting the outcome of the US Congressional elections and the auction of US Treasury notes and bonds worth $29bn scheduled to start on Tuesday, according to an official of a major securities house.

The stock market's slump in October, coupled with growing signs of rebound in crude oil prices and the dollar, has made many investors hesitant about new stock investments.

In lacklustre trading, Japan Steel Works surged Y68 to Y313, coming close to its all-time high of Y326. The issue topped the active list with 56.30m shares changing hands. Its popularity reflected the company's plan to construct engineering laboratories and a high-rise condominium on a factory site in Tokyo.

Some speculative issues were also sought, with Tobishima rising Y7 to Y757 on 5.90m shares traded. Sanden added Y51 to Y1,010, while Kyodo Shiryo and Mitsubishi Belting gained Y25 and Y320 to Y555 and Y2,900, respectively.

But trading in other issues was very thin. Tokyo Gas was the second busiest issue with 7.50m shares changing hands but finished Y18 lower at Y921. Tokyo Electric Power jumped Y90 to Y7,190, but volume was very light at 3.07m shares.

Among other large-capital stocks, Ishikawajima-Harima Heavy Industries lost Y9 to Y395, while Nippon Kokan added Y1 to Y207 and Mitsubishi Heavy Industries Y6 to Y415.

Blue chips, which fared well last week on the strength of the dollar's rise against the yen, were out of favour. Matsushita Electric Industrial shed Y30 to Y1,860, Fujitsu Y40 to Y1,080 and NEC Y50 to Y2,000.

In the bond market, institutional investors and dealers retreated to the sidelines.

The yield on the benchmark 6.2 per cent government bond, maturing in July 1995, ended at 5.085 per cent, unchanged from Saturday's close, after moving in a narrow range of 5.060 to 5.095 per cent.

A delay in fixing terms for 10-year government bonds to be issued in November was another factor driving investors away from the market.

SINGAPORE

DESPITE some late short-covering, Singapore closed generally lower on profit-taking as the technical correction to last week's rally continued.

The Straits Times industrial index ended 5.86 lower at 934.78 and turnover was also down to 28.5m shares after Monday's 36.4m.

Among active stocks, Malayan Banking moved against the trend, rising 5 cents to S$5.55 on 998,000 shares changing hands, while Public Bank eased 2 cents to S$1.47 on 878,000 shares.

SOUTH AFRICA

GOLD SHARES, boosted by the recovery in the bullion price, took Johannesburg higher across the board as trading activity picked up.

Anglo American Corp improved by 2 cents to R67, while Driefontein advanced R2.25 to R70.25.

Mining financials and most other mining stocks followed the trend.

EUROPE

Spotlight remains on Stockholm

THE SPOTLIGHT remained on the Swedish stock market yesterday as other European bourses continued to trade within a narrow range and post only small changes.

Stockholm derived the inspiration for its fifth record in six sessions from heavy overseas buying and persistent domestic demand encouraged by Monday's growing trade surplus.

The Affarsvarlden index rose a further 3.3 points to 765.6 as demand concentrated on retailers, base metal groups and constructions.

Among blue chips, Volvo surged another SKr 4 to SKr 395 although Electrolux surrendered Monday's strength with a SKr 3 drop to SKr 339. Asea, the heavy engineering group, also moved against the trend with a SKr 1 decline to SKr 371.

Pharmaceuticals, popular among foreign investors, saw Astra jump SKr 13 to SKr 553, Pharmacia rise SKr 2 to SKr 189 and Fermenta drop a further SKr 6 to SKr 121.

Frankfurt turned quiet near the close of trading although the mid-session calculation of the Commerzbank index showed a 10.4 gain to 2,013.3.

All eyes were on Hoechst, down DM 2 to DM 268 in response to its takeover plans of the US chemical group Celanese and the fall in nine-month group profit by 1.9 per cent.

Banks staged another moderate recovery, with Deutsche Bank up DM 4 to DM 788 as Dresdner jumped DM 7.20 to DM 397.

Daimler was a strong feature among the car makers with its DM 6.50 advance to DM 1,274 while VW managed to edge DM 1.30 higher to DM 466.80.

Retailers were broadly firmer, with Karstadt picking up DM 1 to DM 471 in response to its higher nine-month profit figures, while supermarket group Massa slumped DM 10.50 to DM 499.50 ahead of the pricing today of its new ordinary share offering.

Bond prices rose by up to 40 basis points on shortcovering by domestic investors after the higher overnight close in US credit markets and yesterday's drop in the dollar.

The Bundesbank market balancing operation amounted to sales of DM 138.3m worth of paper compared with sales of DM 4.5m on Monday, and the average yield on public authority paper slipped 2 basis points to 6.08 per cent.

The central bank accepted bids for DM 8.5bn at yesterday's tender for a 28-day securities repurchase agreement at a fixed rate of 4.35 per cent.

Amsterdam finished mixed in thin trading under the impact of a lower dollar, US unease over the outcome of the congressional elections and the start of the US Treasury's huge refunding operation.

Internationals were the main feature again, with Philips, due to report today, recovering some recently lost ground with a 40-cent gain to Fl 44.70.

Akzo, reporting a small third-quarter rise in profits, added Fl 3.80 to Fl 154

KLM, scheduled to release figures tomorrow, regained its poise with a 40-cent advance to Fl 45.70 on further consideration of the airline's ability to maintain its load factors. Bond prices were little changed.

Brussels gained on domestic institutional buying while **Milan** finished mixed with most strength in insurers and financials.

Zurich managed a modest rise in higher turnover while **Paris** traded narrowly mixed on turnover of about FFr 800m and **Madrid** posted further gains led by the foods sector.

LONDON

FINANCIAL markets in London were dampened yesterday by sterling's sluggish performance and hesitation over the outcome of the US mid-term elections and the latest federal funding programme.

The FT-SE 100 index shed 1.5 points to 1,637.7 and the FT Ordinary index edged up 0.2 to 1,294.3.

While the stock market was mainly quiet, selective buying interest saw BAT Industries add 18p to 487p on 10m shares traded following a favourable press review.

Government bonds had the quietest session since Big Bang on October 27, according to one leading market maker. Sterling's initial weakness caused some selling, but the sharp fall in UK official currency reserves had little further impact and gilt-edged securities ended with declines of about ½ a point.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38, 39

CANADA

PROFIT-TAKING forced a mixed performance on Toronto as industrials, oils and mines moved lower.

Campeau Corp resisted the downturn with a C$1⅛ gain to C$28¼ despite some analysts' suggestions suggestions that the group will have difficulty absorbing its recent takeover of Allied Stores.

Industrials proved the weak spot in a slightly lower Montreal.

NEW ZEALAND

Industrials underpin latest peak

NEW ZEALAND'S stock market, which has consistently achieved new highs this year, set its 21st record in 25 trading days on Monday when it broke through the 3,600 point barrier, *writes Dai Hayward in Wellington.*

The index rose 54.79 points to 3,629.13.

Unlike many earlier buoyant trading days, most of the big increases this week affected industrials rather than finance companies.

The country's biggest brewing group Lion rose 55 cents to NZ$7.60, and the publishing group Wilson and Horton rose 70 cents to NZ$9.20. Shares are in short supply for the two companies, both of which have reported profitable operations.

Throughout all the New Zealand exchanges, rises outnumbered falls by three to two, and more than 10.2m shares were traded.

When averaged over the past 10 years, the New Zealand stock market has outperformed the markets of other countries, including the US, Japan, Hong Kong and the UK.

AUSTRALIA

SHORT-COVERING on golds and continuing demand for blue-chip industrials gave Sydney share prices a boost in quiet trading limited by the Melbourne Cup holiday. The All Ordinaries index rose 5.6 to 1,381.1.

The gold sector, influenced by the latest industrial troubles in South African mines and by small bullion price rises, saw Poseidon advance 35 cents to a 1986 high of A$5.10 and Kidston add 10 cents to A$8.10. Western Mining and MIM both rose 5 cents to A$4.75 and A$2.57 respectively.

HONG KONG

SOME buying interest emerged late in the session in Hong Kong to leave share prices mixed to higher. The Hang Seng index oscillated during the morning after Monday's huge fall but ended the day 7.04 higher at 2,265.82. Turnover fell to HK$666.62m from HK$832m.

Although overseas investors continued their profit-taking, there was also some bargain-hunting in selective issues.

Among properties, HK Land eased 5 cents to HK$5.90 while its rights to buy 1,000 Dairy Farm shares were the most actively traded issues, easing 2½ cents to HK$3.17½ a share.